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*Hong Kong insiders sign
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*Is deflation now the
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FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY MARCH 25 1993

D8523A

France and UK forced to cease Bosnia air rescue

French and British helicopters, which had started to evacuate Muslim civilians from the besieged enclave of Srebrenica in eastern Bosnia, were forced to suspend operations just hours later because of heavy Serb shelling of the town. The mission was halted shortly after two British helicopters evacuated two Canadian soldiers of the United Nations peacekeeping force who had been wounded by Serb gunfire. Earlier, Serb shells had killed a civilian only minutes after three French helicopters had taken off with 21 wounded Muslims on board. Meanwhile, UN special investigator Tadeusz Mazowiecki (left) said the siege of Srebrenica was another example of "ethnic cleansing" in Bosnia. Page 18

FBI arrests bomb suspect in Egypt: The alleged mastermind of the World Trade Center bombing was being brought back to the US after 10 days in an Egyptian prison, officials and his brother said. FBI agents took into custody Mahmud Abu-Halima, a 34-year-old taxi driver, said to be behind blast that killed six on February 26. Page 16

Norway go-ahead to join EC: The European Commission cleared the way for Norway's application to join the European Community. Accession talks are expected to open formally when EC foreign ministers meet on April 5. Page 16

Belgium lifts rates: Belgium's central bank had to raise official interest rates to support the franc, after the resignation of the coalition government triggered strong selling of the currency inside the European exchange rate mechanism. Page 16; Editorial Comment, Page 16; Currencies, Page 32

US and Japan deadlocked: The US and Japan are deadlocked on setting new market share targets for semiconductor trade, with Japan refusing to agree to the use of any quantitative measure for foreign access to the \$30bn Japanese semiconductor market. Page 16; Tokyo rebuts criticism by Clinton, Page 4

Greenpan urges spending cuts: The US Federal Reserve chairman Alan Greenspan urged greater reliance on spending cuts as a way to reduce the deficit rather than higher taxes. Page 7

Nigeria warned to cut debts: Western creditor governments warned Nigeria that new loans might dry up if it failed to reduce its \$20n-40n arrears on official debt repayments. Page 6

Barclays: said it was starting a worldwide search for a new chief executive from outside the bank. Page 17; Observer, Page 15

Needle: the world's largest foods group, saw consolidated net profit rise 9.2 per cent last year, more than expected. Page 17

More defections to VW: Six European colleagues of Jose Ignacio Lopez de Arriortua, the Spanish purchasing chief who left General Motors last week to join Volkswagen, have also resigned from GM to join him at the German car manufacturer. Page 17

Reuters: the international information and news group, is considering ways of returning some of its £710m (\$1.05bn) cash pile to shareholders - probably through a special dividend or share buy-back scheme. Page 16; Lex, Page 16

Keating appoints new faces: Paul Keating, the recently re-elected Australian prime minister, promoted six backbenchers to the cabinet in a reshuffle designed to keep the Labor party in government for the rest of the decade. Page 6

EC telecoms groups talks: Senior executives of EC telecommunications operators meet in Brussels today to discuss European Commission plans to open domestic and international telephone calls to full competition by 1998. Page 3

Berlin cleared of 'sweetening' Sony: The European Commission decided that Berlin city authorities did not "sweeten" under a 1991 property deal with Sony, to persuade the Japanese electronics manufacturer to move its European headquarters to a prime city centre site. Page 3

Pulitzer prizewinner dies: John Hersey, whose works described the devastation of the second world war, died of cancer in Florida, aged 78. He won the Pulitzer prize for fiction in 1946 for his novel *A Bell for Adano*.

STOCK MARKET INDICES				FT STERLING			
SE 100	2988.6	(+0.5)		New York composite	1,482.5		
Yield	4.24			Lundbeck	1,482.5	(1.4825)	
SE 100	1738.8	(+0.25)		Roche	2,419	(2.42)	
FT-A All-Share	1,405	(+0.15)		Novartis	2,276	(2.276)	
Nikkei	14,400.9	(+0.53)		SF	2,226	(2.226)	
Dow Jones Ind. Ave	2,451.32	(+0.54)		Y	72.25	(71.75)	
S&P Composite	447.24	(+0.52)		2 index	78.3	(78.3)	
US LUNCHTIME RATES				DOLLAR			
3-mo Treasury bill	2.75			New York composite	1,482.5		
3-mo Treasury bill	2.95			Roche	2,419	(2.42)	
Long Bond	104.5			Novartis	2,276	(2.276)	
Yield	8.79			SF	2,226	(2.226)	
LONDON MONEY				Y			
3-mo interbank	8.75		(same)	2 index	78.3	(78.3)	
Life long gilt	104.5		(same)	Lundbeck	1,482.5	(1.4819)	
10-year gilt	104.5		(same)	Roche	2,419	(2.4202)	
WORTHY SEA CHART (Average)				SF			
Brnt 15-day May	118.27	(18.38)		Y	72.25	(71.519)	
Oil	118.27	(18.38)		2 index	78.3	(71.57)	
New York Comex (Apr)	332.7	(32.3)		Lundbeck	1,482.5	(1.4819)	
London	331.45	(31.25)		Roche	2,419	(2.4202)	

Daimler-Benz to be given share listing on NYSE

By David Waller in Frankfurt and Martin Dickson in New York
DAIMLER-BENZ, Germany's largest industrial company, yesterday disclosed "hidden reserves" of about DM4bn (\$2.4bn) while announcing its plan to obtain a share listing on the New York Stock Exchange. Daimler will become the first German company to obtain a listing on the exchange and is likely to lead the way for other German companies as they attempt to

strengthen their ability to raise capital. The company said yesterday that after long negotiations it had reached a compromise with the Securities and Exchange Commission, the US regulatory body for securities markets, which would allow it to list its shares on Wall Street this year. The compromise would include increased financial details to meet US investors' expectations, Daimler said. The refusal of the SEC and German groups to compromise on disclosure rules has been a longstanding obstacle to the companies' gaining access to the world's biggest capital market. As a first step, Daimler said that it would change its accounting for the 1992 financial year. This would disclose extraordinary profits of about DM4bn, more than twice the expected net profits of between DM1.4bn and DM1.5bn. The profit in 1991 was DM1.5bn.

A Daimler-Benz listing would be a major boost to the NYSE, which faces increasing competition for business from electronic, regional and international exchanges, notably London. The New York exchange has been trying to promote itself as the leading international stock market, but the SEC's strict disclosure rules have discouraged some large foreign companies, particularly German ones, from listing in the US. Daimler's plans suggest a compromise has been reached in a heated dispute over the past two years between Mr William Donaldson, the exchange's chairman, who has urged the SEC to relax its rules, and Mr Richard Breen, SEC chairman, who has demanded that foreign companies provide an "information bridge" for US investors. Daimler's accounting changes highlight the fact that German accounting rules are more conservative than those generally accepted under US accounting principles. US rules are oriented to the needs of institutional investors, whereas German rules put creditors' interests first. This means that German companies' profits and assets have been understated compared with figures presented under UK or US rules. Daimler said that further details would be disclosed early next week after a meeting between Mr Gerhard Lieber, group finance director, and Mr Breen.

Parliament ready to vote on impeachment of Yeltsin

Peace talks on Russian leadership break down

By John Lloyd in Moscow
RUSSIA'S political crisis intensified yesterday after the failure of talks between President Boris Yeltsin and Mr Russian Khasbulatov, speaker of the conservative-dominated parliament. The impasse at the end of the 90-minute meeting between the two opponents leaves the way open for a vote on impeaching the president tomorrow. Mr Yeltsin's office said after the talks - attended by Mr Valery Zorkin, chairman of the Constitutional Court - that the parliamentary leadership had "again rejected the simple and clear solution proposed by the president, to decide the fate of Russian statehood by a national vote." The statement said a debate on impeachment at an emergency session of the Congress of People's Deputies would "sharply raise tensions in the country." At the same time, however, doubts were expressed on all sides about the ability of Mr Yeltsin's opponents to raise the two-thirds majority needed for impeachment.



Russian Khasbulatov: ready to strip the president of his powers

Several anti-Yeltsin deputies said such a majority was not presently available, as representatives who could normally be counted on to vote against the president's decrees and proposals shied away from the chaos widely forecast if he is called upon to step down. However, Mr Khasbulatov alluded to a measure, added to the constitution in December, under which the president could be stripped of his powers if he was deemed to have acted to disband or suspend any legally elected body of state authority. It is not clear if a vote on this would require two-thirds or merely a simple majority. The increasingly feverish warnings of national catastrophe and division were given point last night with a report on the official Tass news service that Cossacks on the Don River in southern Russia had declared an independent republic. Hopes of a compromise in Moscow had risen earlier yesterday with the publication of Mr Yeltsin's decree setting out the basis of his address to the people last Saturday, in which he had said he was assuming "special powers". The decree as published made no mention of these powers. Further efforts at compromise remain possible, Mr Khasbulatov, informing parliament last night of the failure of the talks, said he and Mr Yeltsin had discussed the possibility of a government of national accord. The Japanese government was confident last night that it had derailed a push for an emergency

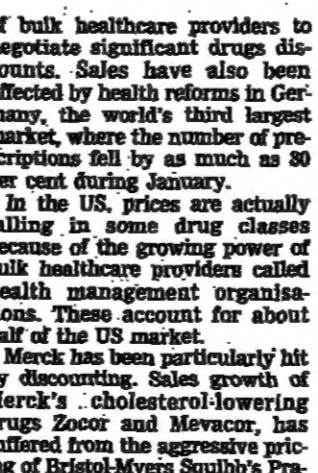
De Klerk says Pretoria made nuclear arms

By Patti Waldmeir in Cape Town
PRESIDENT F.W. de Klerk yesterday admitted that South Africa had developed and produced nuclear weapons in the late 1970s. He said, however, that all weapons were dismantled after he took power in 1990. In a statement to parliament in Cape Town, Mr De Klerk provided the first confirmation of what international atomic experts had long suspected: that South Africa had produced weapons-grade uranium and used it to produce a nuclear bomb. Mr De Klerk said he took the decision to dismantle the weapons soon after becoming president in September 1989, in an apparent attempt to prevent nuclear weapons and technology falling into the hands of a future black government dominated by the African National Congress. He came under heavy pressure to wind up South Africa's weapons programme from the US and other foreign governments, concerned at the ANC's links with Col Muammar Gaddafi of Libya. South Africa's six nuclear fission warheads were dismantled early in 1990, and the nuclear material used to produce them was downgraded so that it could no longer be used for weapons. Mr De Klerk said all hardware and design information used in the bombs' construction was also destroyed - again, to frustrate attempts by a future government to revive a nuclear weapons industry - though many of those who developed the weapons remain in government employ.

He insisted that South Africa had developed the weapons entirely with domestic technology, and that it neither imported nor exported technology or materials. There has long been speculation that South Africa co-operated with Israel on its nuclear weapons programme. In July 1991, South Africa acceded to the Nuclear Non-Proliferation Treaty, under which it was required to declare its uranium stockpiles to the International Atomic Energy Agency. He said yesterday that South Africa held no further stocks of weapons-grade uranium. In Vienna, the IAEA said it would send inspectors to verify that the programme had ended. The airborne warheads were constructed at a cost of R800m (\$50m) after a decision in 1974 to launch a nuclear weapons programme aimed at deterrence, Mr De Klerk added. George Graham adds from Washington: Mr De Klerk's announcement seems likely to clear up a dispute with the IAEA and the US over whether South Africa was accounting in full for its production of nuclear material. "I think this is just the kind of thing South Africa should have done and North Korea may yet have to do," said Mr Gary Milhollin, an arms proliferation expert at the Wisconsin Project on Nuclear Arms Control in Washington.

Drugs stocks plummet after Merck earnings warning

By Paul Abrahamson in London
DRUGS STOCKS on both sides of the Atlantic tumbled yesterday after Merck & Co, the sector's biggest company, warned that earnings growth this year would be slower than expected. The US group also revealed its first job reduction programme when it announced 1,000 of its 38,000 employees would be made redundant this year. By midday in New York Merck's shares had dropped 3% - 8 per cent - to \$33. In London, Glaxo Holdings closed down 17p to 897p in spite of news that its migraine treatment imigran had been given technical approval in France. Merck blamed the slowdown on the increasingly competitive environment in the US and healthcare cost-containment measures worldwide. It also cited unfavourable currency movements that could cut turnover by as much as 3 per cent this year. Last week Eli Lilly and Marion Merrell Dow, relatively weaker US drug companies, gave similar warnings. Merck said the effects of the

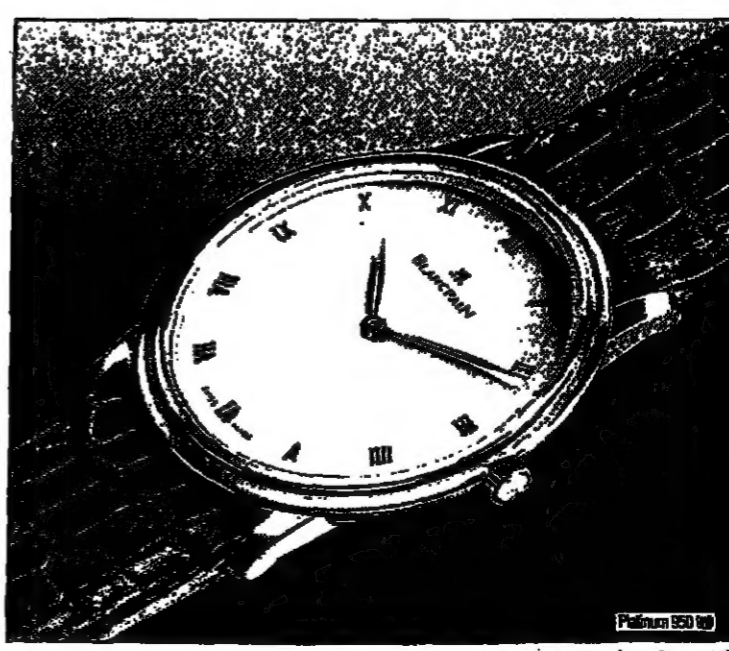


worsening environment would be seen in the first-quarter results and particularly noticeable during the first six months. Analysts downgraded their earnings growth predictions for Merck during 1993 from as high as 16 per cent to between 9 and 11 per cent. Merck has been hit both by its undertaking not to increase prices by more than the rate of inflation and the growing ability of bulk healthcare providers to negotiate significant drug discounts. Sales have also been affected by health reforms in Germany, the world's third largest market, where the number of prescriptions fell by as much as 30 per cent during January. In the US, prices are actually falling in some drug classes because of the growing power of bulk healthcare providers called health management organisations. These account for about half of the US market. Merck has been particularly hit by discounting. Sales growth of Merck's cholesterol-lowering drugs Zocor and Mevacor, has suffered from the aggressive pricing of Bristol-Myers Squibb's Pravachol. Analysts believe price competition is likely to worsen as a number of significant drugs come off patent over the next two years. Sales of Merck's anti-ulcer drug Pepcid and Glaxo's Zantac are likely to suffer next year as HMOs switch to cheap generic versions of SmithKline Beecham's Tagamet next year.

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NEWS: EUROPE



Russia in turmoil: A democrat shouts at communist demonstrators in St Petersburg yesterday (left), while in Moscow deputies argue in parliament (centre), watched by justices of the constitutional court who ruled that President Yeltsin had acted illegally (right)

Free trade zone plan seen by the Twelve as a 'political signal' of support for the reform programme

Brussels explains trade plan for Moscow

By David Gardner in Brussels

THE European Commission confirmed yesterday it is seeking an enlarged mandate for its "partnership" negotiations with Russia, and that the aim is eventually to create a free trade agreement with the former Soviet republic.

The Commission will ask EC foreign ministers to endorse the free trade mandate on April 5 in Luxembourg. But a delegation of Community foreign ministers and commissioners is expected to raise the new terms of negotiation with the embattled government of

President Boris Yeltsin in Moscow this weekend.

The hope is to conclude an agreement with Russia in time for the Copenhagen summit of EC heads of government on June 21-22.

Following yesterday's Commission meeting, Mr Hans van den Broek, EC external affairs commissioner, confirmed that the "eventual" aim of the agreement was a free trade zone with Russia, "provided political and economic circumstances allow it".

"Any solution to the (Russian) crisis will not, obviously, depend on our negotiation," Mr

Van den Broek said. "But the political signal" from the EC, he added, "is very clear."

Senior officials say nobody is under any illusions about the gargantuan task of reaching a free trade arrangement with the former command economy, when the fate of Russia's economic reforms, and its future commitment to them, hang on the outcome of the power struggle in Moscow.

But the Commission said it "believes that by expressing a willingness to go beyond traditional trade and co-operation and eventually achieve free trade with Russia, the Commu-

nity would be sending an important signal to Moscow that it fully supports the reform process."

Mr Yeltsin expressly asked for the negotiations to encompass free trade, to give Russia the same sort of access to EC markets promised to Hungary, Poland, the Czech and Slovak republics, Bulgaria and Romania.

The main difference between what the Commission wants for Russia and what has been negotiated with the east and central Europeans is that the drive towards a free trade zone with the latter is linked to

their eventual membership of the Community. This is not an offer to Russia - or other former Soviet republics to which free trade arrangements might also be extended.

But the terms of trade Russia might get, according to confidential Commission documents, could theoretically be more favourable than for the east Europeans, who have been frustrated by EC barriers to their most competitive products, like steel, textiles and food. The "safeguard clause" the Commission envisages against any flood of competitive Russian goods spells out

that it "will only be invoked in the event of a serious injury, or a threat of a serious injury to domestic (EC) producers of like or direct competitive products".

The word "serious" is underlined in the text, and some commissioners yesterday underlined their concern about its potentially broad sweep. Officials said they had wanted to defer deciding on the proposal until next week, to allow further examination of the safeguard clause, and were angered that aspects of the plan had been reported in yesterday's Financial Times.

Yeltsin tipped to survive vote

By John Lloyd and Dmitri Volkov in Moscow

THE mood among Russian deputies yesterday was uncertain, but most signs suggested anti-Yeltsin forces will struggle to get the 689 votes in Congress for the two-thirds majority needed to impeach him.

Mr Nikolai Pavlov, a member of the fiercely anti-Yeltsin bloc, Russian Unity, said the chances of impeachment were minimal. The US TV network ABC quoted a Yeltsin opponent saying: "We only have 600 votes."

Mr Yeltsin can rely on support from the Radical Democratic and Democratic Russia blocs, and can be fairly certain that all in the Union of Creative Forces and absolutely certain that all in Russian Unity will vote against him. The Democratic Centre is the group to play for. It includes the left centre grouping of Mr Victor Sheinis on the one side and the Free Russia faction of vice-president Alexander Rutskoi on the other. Mr Sheinis generally supports the president, while General Rutskoi has come out strongly against Mr Yeltsin's assumption of special powers.

The ingredient which will work for Mr Yeltsin, if impeachment is put to the vote

tomorrow, is fear. Mr Ramazan Abdulatipov, chairman of the Council of Nationalities, said: "It's all very well being a hero but the heroism being shown will be at the expense of the destruction of Russia." He called for compromise.

So numerous have been the warnings of civil war that some impressionable and wavering deputies from provincial constituencies are bound to be affected, and vote not to punish Mr Yeltsin.

Further, his milder opponents could be swayed by the continuing impression that he retains popular support. An opinion poll in the strongly pro-Yeltsin daily Izvestia yesterday showed Mr Yeltsin with a 50 per cent approval rating against 9 per cent for General Rutskoi. Nearly 60 per cent said Mr Yeltsin's assumption of special powers was either correct (49 per cent) or not tough enough (22 per cent).

One view last night was that an impeachment vote might backfire. Mr Vladimir Varov, an influential radical from St Petersburg, said: "I don't object at all if the anti-Yeltsinists get two thirds. It would show up the Congress for what they are. And if they tried any action against the president I'm sure the people would put on an equally suitable reaction."

Benefits for Russia will take time

By David Dodwell, World Trade Editor

RUSSIA would take longer than did Poland, the Czech and Slovak republic and Hungary to reap benefits from trade liberalisation with the European Community, trade specialists said yesterday.

The slow response would largely be due to internal economic disorder, they said.

New figures about to be released from the General Agreement on Tariffs and Trade in Geneva show that the

economies of central and eastern Europe last year saw strong export gains to the EC - up about 20 per cent from 1991 after a 12 per cent rise in 1990.

East Europe's imports from the EC grew even faster, however, showing that at present the economies in transformation are offering better market opportunities to EC exporters than vice versa.

"Exports especially to the EC grew quite substantially," a GATT official said. "It is tempting to impute a causal relationship between the improvement

as last year's market opening agreements (with Poland, Hungary and the Czech and Slovak republic), but no detailed investigation has been possible."

This improvement contrasts with an overall fall in exports from central and eastern Europe and the Commonwealth of Independent States of 10 per cent to \$85bn.

Agreements with the three eastern European economies providing better access to the EC market went into force in March last year. Quotas were

set on food exports, textile products, steel and chemicals - all sectors where strong export gains might have been expected. Potential gains have also been reined in by anti-dumping actions against steel exporters from the region late last year.

Strongest growth in exports to the EC was seen for the Czech and Slovak republic, which saw exports leap by 40 per cent, with Bulgaria seeing a 24.5 per cent gain. By contrast, CIS exports stagnated.

In any "Europe agreement", Russia would probably hope

Trade of western Europe with eastern Europe and CIS, 1991-92

(Annual percentage change in value)					
Exports to			Imports from		
1991	1992		1991	1992	
-1.0	14.0	Bulgaria	26.0	24.5	
21.0	83.0	Czech and Slovak Fed. Reps.	27.0	40.0	
16.0	17.0	Hungary	16.0	11.0	
61.0	6.5	Poland	-6.5	15.5	
-2.0	43.0	Romania	-10.0	2.5	
30.0	24.0	Central and eastern Europe	12.0	20.0	
-23.0	-4.5	CIS	-7.0	0.0	
3.0	12.0	Total	1.5	9.5	

for better openings for its raw materials, especially oil and gas. It would probably face less protectionist resistance than the eastern European econo-

mies did to many of their manufactured exports, though controversy over fish, alumina and non-ferrous metals cannot be ruled out.

EC telecoms groups in talks on liberalisation

By Andrew Hill in Brussels

SENIOR executives of EC telecommunications operators meet in Brussels today to discuss European Commission plans to open domestic and international telephone calls to full competition by 1998.

Brussels' telecoms directorate has produced a draft plan which would involve opening cross-border calls within the EC to competition by January 1, 1998. The same plan would set a target of January 1, 1998 for the controversial liberalisation of all calls - including those within individual countries and to countries outside the EC.

Today's meeting with Commission officials will be followed by a similar round of talks tomorrow involving national telecoms regulators. The meetings mark the end of six months of consultations

with member states, consumers, regulators and operators.

Mr Martin Bangemann, the EC telecoms commissioner, and Mr Karel Van Miert, responsible for competition, will then have to decide whether to submit far-reaching proposals to their fellow commissioners and ultimately to EC telecoms ministers, who next meet on May 10. Both commissioners favour more liberalisation, to improve efficiency and competition, but they will probably want to safeguard operators' commitment to provide a uniform service for all consumers.

The main battle among commissioners, and then among member states, is likely to be over the timing of such a plan. As drafted, it would go too slowly for some telecoms operators, such as British Telecom, and too fast for others, including the German state company

Deutsche Telekom. Some member states with less well-developed networks, such as Portugal, Greece, Spain and Ireland, would probably be allowed to delay implementation of the proposals.

But senior Commission officials say even the most reluctant telecoms operators - such as France Telecom and Deutsche Telekom - now accept that a final target of full competition should be set, partly because it would be practically very difficult to stop short at partial liberalisation.

Under the draft plans, the first phase of any new approach would be to ensure the enforcement of existing directives liberalising certain services. Only later would member states have to consider the most controversial questions, such as whether to open the building of telephone networks to new companies.

Inflation falls to 4% in Spain

By Peter Bruce in Madrid

ANNUAL inflation in Spain fell to 4 per cent in February, the best performance in five years. But it did little to raise hopes for significant interest rate cuts and triggered only a modest recovery on the Madrid stock market.

The February consumer price index was static, meaning that Spain's annual rate of inflation has fallen sharply from 5.4 per cent at the end of 1992. Some analysts in Madrid yesterday forecast end-of-year inflation at below 4 per cent.

However the Bank of Spain, which the previous day had decided to hold its benchmark intervention rate at 13 per cent, was holding short-term money market rates at around 15.5 per cent, with analysts expecting little movement soon. Most believe the Spanish will wait to see whether a new French government relaxes monetary policy after the final round of parliamentary elections this weekend.

The February figure was, nevertheless, lower than expected and the more remarkable because changes this year to the way the CPI has been calculated - probably overstate comparative inflation. The new calculation gives high-inflation service industries greater weight than previously.

Norway upbeat on economy

By Karen Fosell in Oslo

NORWAY'S central bank yesterday issued an upbeat outlook for the economy, which has already developed favourably this year.

The bank's quarterly economic review published yesterday said: "The main driving force in 1993 is expected to be an increase in demand both in the household and business sectors." It said policy measures adopted last December, which include a lowering of payroll taxes and increased value added tax, together with currency depreciation are expected to increase industry's competitiveness.

The minority Labour government increased VAT from 20 to 22 per cent and, following the unlinking of the krone from the Ecu last December, the Norwegian currency has weakened by 3 per cent. Since the start of the year, foreign currency inflow has been around Nkr35bn (\$6.1bn). "This means that two-thirds of the outflow of reserves has been recovered," the report said.

Money market rates have fallen nearly four percentage points since late December.

Sejm vote may topple Suchocka

By Christopher Bobinski in Warsaw

THE FUTURE of Poland's seven-party coalition led by Ms Hanna Suchocka could hang on the result of a no-confidence vote in Mr Janusz Lewandowski, the privatisation minister.

Mr Jan Krzysztof Bielecki, the minister responsible for European Community affairs and Mr Lewandowski's party colleague, said yesterday that his group, the Liberal Democratic Congress (KLD), would leave the government if Mr Lewandowski failed to survive the vote.

The motion has been brought by the anti-communist KPN party, which espouses populist policies and has been pushing for Mr Lewandowski's resignation since last autumn.

The KPN's move follows the defeat last week of Mr Lewandowski's mass privatisation plan, with subsequent party inquiries suggesting that a no-confidence vote might succeed. Next week's vote will coincide with the government's resubmission of revised privatisation proposals.

Mr Bielecki's statement is aimed at bolstering Mr Lewandowski's position within the coalition and in effect turns the vote into a vote of confidence in the government.



Suchocka: hanging on vote

The coalition controls about 210 votes in the 460-member Sejm and relies for its majority on the 26-strong Solidarity trade union group and a handful of independents.

The KLD and its close allies have 52 votes in the Sejm. Were they to withdraw, the alternative would be the imposition of a cabinet by President Lech Walesa or new elections. The KLD is hoping that most parties want to avoid both.

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Rome AZ 291	0725	0835		Rome AZ 286	1840	2005	

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EC clears Sony deal on Berlin HQ

By Andrew Hill in Brussels

THE European Commission has decided that the Berlin city authorities did not "sweeten" the deal by offering Sony a 1991 property deal with Sony, to persuade the Japanese electronics manufacturer to move its European headquarters to a prime city centre site.

The Commission yesterday closed its 15-month inquiry into the DM101m (\$60.8m) deal, by deciding that the Japanese company would not have to pay extra for the site on Potsdamer Platz, which used to be bisected by the Wall between east and west Berlin.

Brussels has been looking closely at property deals in Berlin, where prices have increased substantially since unification of the city. Companies which are found to have paid less than market value for state-owned properties can be asked to "repay" what amounts to an illegal state subsidy.

Last April, the Commission ordered Daimler-Benz to make an additional DM23.8m payment to the Berlin authorities, on top of the DM58m which it paid in July 1990 for another office site on the Potsdamer Platz.

The Commission applied the same reasoning to the Sony sale.

Following an independent valuation, Brussels estimated that the 30,900 sq m Sony site was worth between DM128m and DM149.5m.

However, it agreed that figure should be adjusted downwards by about DM41.3m to take account of strict conditions imposed by the Berlin authorities.

After adjustment, the Commission estimated that the potential state subsidy in the deal was too small to be significant.

Daimler-Benz has never pursued its initial objections to the Commission's decision on its property deal, and is also believed to be happy with the ruling favouring Sony.

French refuse to slam door on Le Pen

The centre-right's landslide has failed to damage the National Front in the south, writes David Buchan



ASSEMBLEE NATIONALE

THE electoral tide that will carry France's centre-right parties to government next week has rolled down the Rhone valley. But there are two rocks of resistance which it has not completely washed over, at least not until the results of Sunday's run-off parliamentary election are in.

The biggest rest which the neo-Gaullist Republican Rally (RPR) and the Union for French Democracy (UDF) liberals have hit is the National Front. Mr Raymond Barre, the centrist ex-prime minister, who by a narrow margin was elected outright in last Sunday's first ballot, said he had never thought to see the Front do so well.

In fact, the far-right party of Mr Jean-Marie Le Pen scored a relatively low 17 per cent in Mr Barre's Lyons constituency. Elsewhere it was more successful. Five years ago, only one of its candidates reached the second round in the Rhone department's 14 constituencies; on Sunday it will have seven candidates in the run-off to contest the 12 seats which remain

open. One of them is Mr Bruno Gollnisch who came top in his constituency with 24.5 per cent of the vote.

Attracting the support that had gone to a dissident Gaullist who was eliminated in the first round is Mr Gollnisch's main hope of keeping first place in the run-off - and he is convinced that the Front is now firmly embedded as the region's second political force.

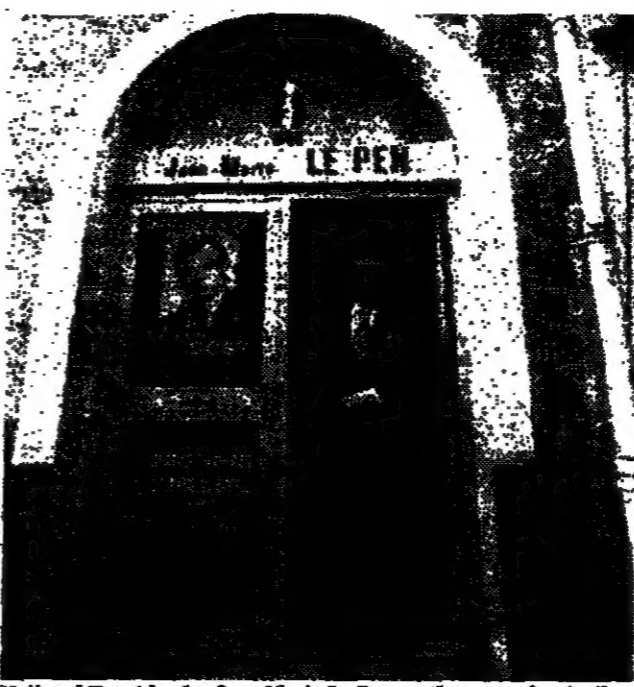
Married to a Japanese whose language and civilisation he teaches at Lyons university, Mr Gollnisch does not fit easily the xenophobic image of the Front, even though he is a member of its national executive.

But he does expound on the threats of immigration and Aids. "This is why people listen to us - we were the ones to break the taboos on talking about these issues," he says.

Like Mr Le Pen, his leader, Mr Gollnisch has no inhibitions about attacking the press and pollsters for consistently underestimating his party.

"The polls are run by crooks or idiots who should know by now that people are more hesitant about professing their support for the Front than for other parties," he says.

He believes that pollsters should build a correction fac-



National Front leader Jean-Marie Le Pen on the campaign trail

tor into their estimates of support for the Front.

The other point of resistance to the prevailing tide is less a reef than an outcrop, since it consists of one man - Mr Michel Noir, the embattled

would probably never have dared take on the mayor of France's second largest city, had they not sensed weakness.

The snail was indeed obvious to all, from the moment Mr Noir became embroiled last year in the "Botton affair". Mr Pierre Botton, once a prominent Lyonais businessman who is still Mr Noir's son-in-law, is in jail on charges of milking his companies of money that he put to various uses, including free holidays for a prominent TV anchorman, but also the illegal funding of Mr Noir's 1989 mayoral campaign which he managed.

Mr Noir's effort to wipe off the mud were made no easier when earlier this month Mr Botton leaked to the press copies of a letter Mr Noir had written in 1989 detailing how he would be repaying the money to Mr Botton.

But somehow Mr Noir seems to have convinced a number of Lyonais that he is the innocent victim of a family vendetta. In his attempt to keep his parliamentary seat (which in France can be combined with that of mayor), Mr Noir was less than one percentage point in the first ballot behind Mr Alain Merieux. Mr Merieux is the official RPR candidate

and scion of Rhone-Poulenc's Institut Merieux, which is a world leader in vaccines.

In a Tuesday night radio debate, Mr Noir exploited Mr Merieux's tactless suggestion that a Noirist Lyons would find itself isolated in an RPR-run France, by claiming that his city was being victimised as well as himself.

On Sunday Mr Noir will not be able to count on support which in the first round went to Socialist or green candidates - those parties have told their voters to stay out of the Noir-Merieux mudfight. But he has one thing going for him - hatred of the local National Front, which has filed lawsuits against him for blocking their use of municipal meeting places.

The Front's defeated candidate in the constituency, Ms Anne Richard, has called on her supporters not to vote for Mr Noir. The latter is desperately stressing that he has never solicited her backing, but with friends like the Front he may find himself with too many enemies to stay top in Sunday's poll.

The outcome will be an important test of how respectable the Le Pen party is now considered in today's France.

Italian political party accounts belie appearances

By Robert Graham in Rome

ITALY'S political parties have emerged as rich men in beggar's clothing from the publication of their annual accounts.

According to the formal accounts of the 14 main parties published yesterday in the official gazette, their combined revenues added up to only L285bn (\$184.3m) in 1991 against declared expenses of L293bn. However, their accumulated debts at the end of 1991 totalled L106bn.

The accounts have been published after having been sent back to the respective party treasurers for clarification in the light of the current corruption scandals. Even so, they differ widely from the picture being made public by the scores of businessmen and state company managers who have admitted to paying bribes and illicit contributions to the parties over recent years.

On the basis of these confessions and the generalised nature of illicit party funding known to exist, official contributions in 1991 would appear to represent little more than 10 per cent of the real monies collected in the parties' names. Illicit funding of overblown party infrastructures and lay-

Another senior member of the Fiat group has been caught up in the corruption investigations, writes Robert Graham. Yesterday magistrates revealed that a cautionary warrant alleging corruption had been issued against Mr Riccardo Eugeri, the London-based chief executive of New Holland, the agricultural machinery concern.

ish spending lies at the heart of the magistrates' investigations into corruption which are progressively decapitating Italy's political and business élites.

In theory, all contributions over L5m have to be declared, yet very few such contributions are listed.

Almost as one, the party leaders and treasurers have justified the anomaly between the stated sums received and spent and the existence of illicit funds by the independence of individual branches of the parties. The accounts refer essentially, they say, to the centralised activity of the parties - not to branches or to those areas funding specific factions. Among the Christian Democrats there were about seven of these.

Warning on recovery for Sweden

SWEDEN will make only a slow recovery from its current economic crisis, Scandinavian Enskilda Banken, the country's leading commercial bank, warned yesterday, writes Christopher Brown-Humes in Stockholm.

The bank expects the country's GDP to fall 1.5 per cent in 1993, the third successive year of decline, while recovering only a weak 0.7 per cent next year.

Government estimates in January suggested a 1.4 per cent drop in GDP this year, but a stronger 1.6 per cent growth next year.

The bank also predicts inflation this year will rise to 5.7 per cent, exceeding the 5 per cent level on which most government forecasts are based, following the sharp depreciation of the krona.

Two of the country's main economic problems - unemployment and the budget deficit - are set to get worse, warns the bank.

German steel pay talks end without deal

GERMAN steel employers and unions have failed to find a compromise to avert a strike in eastern Germany next month, writes Judy Dempsey in Berlin.

Inconclusive talks were held this week between IG Metall, Germany's engineering union, and the steel employers association. The union is insisting on a 21 per cent pay rise for its 20,000 steel union members in eastern Germany as part of a March 1991 contract. The employers have offered 9 per cent.

IG Metall said yesterday it would start balloting members in eastern Germany on a strike, although one senior official conceded that the union "did not really want a strike" in eastern Germany.

Small and medium-sized enterprises did not want a strike, he said, nor could they pay a 26 per cent rise. However, it was time "workers in eastern Germany learned to defend their interests."

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NEWS: WORLD TRADE

Portugal offers aid to exporters

PORTUGAL yesterday announced an \$8300bn (£1.4bn) package designed to support exports and help industry through the international recession. Peter Wise reports from Lisbon. Mr Anibal Cavaco Silva, prime minister, said the aim was to help exporters penetrate non-traditional markets, to promote Portuguese products in specific markets and to support companies hit by exchange rate instability and the crisis in the former Soviet Union.

Power order

Ryundai Engineering and Construction, South Korea's largest building company, has won a \$1.6bn (£1.1bn) order for four 300MW thermal-power plants in Libya. John Burton writes from Seoul.

The contract exceeds the amount of total foreign orders that Hyundai received last year, worth \$1.13bn. It is also equivalent to almost 60 per cent of all foreign contracts that South Korean construction companies obtained in 1992, which totalled \$2.78bn.

Congo oil deal

Technip, the French engineering group, has won an engineering and supply contract in the development of the N'Kossa offshore oil field off Congo. Alice Rawsthorn writes from Paris.

The budget for the construction of the whole development, which will include two drilling platforms and a production barge, is FF78.5bn (£1.1bn) and Technip has won one of the largest contracts in the project. The field is expected to provide a third of Congo's oil production by 1997.

Tokyo rebuts Japanese bid-rigging helps US case criticism by Clinton

By Michio Nakamoto in Tokyo

JAPAN hit back yesterday against strong criticism of its trading practices by President Bill Clinton.

The US leader's statement on Tuesday that the prospect of gaining fair access to the Japanese market was "somewhat remote" was based on a misunderstanding of that market, said Mr Noboru Hatakeyama, vice-minister for international affairs at the Ministry of International Trade and Industry.

"His understanding of the Japanese market is wrong," Mr Hatakeyama told the FT. Japan was the largest market for US agricultural products and the second largest for US manufactured goods. If Japanese markets were really difficult to access, this could not be the case.

President Clinton's statement that the trade imbalance with Japan was the only one that did not seem to change very much was also untrue, said Mr Hatakeyama. Japan's imports from the US had increased in value from \$48.2bn in 1989 to \$52.1bn last year.

It was not appropriate to compare Japan's trade surplus with the situation in other countries since there was a difference in competitiveness, Mr Hatakeyama said. Japan was

more competitive than other US trading partners.

The minister repeated the Japanese government's rejection of the US suggestion that it should set market share targets as a measurement of access. "We are working in a free market which cannot be changed by artificial means," he said. The US-Japan trade balance should be improved through efforts to reduce the US budget deficit and raise US competitiveness, in the government's view.

Mr Hatakeyama welcomed President Clinton's decision not to act unilaterally by raising US tariffs on minivans from 2.5 per cent to 25 per cent but to address the issue "in the context of a larger set of trade issues". Raising the tariff would have been a breach of GATT rules.

Further Japanese steps to open its markets and expand domestic demand were promised yesterday by Mr Yohei Kono, chief cabinet secretary. The issue would be addressed by Mr Yoshiro Mori, trade minister, during his visit to Washington later this week, he said.

Mr Kono pointed out, however, that the surplus has grown even though the volume of imports into Japan had not fallen. This was in part due to the rise in the value of the yen.

Robert Thomson reports on political interference in public works contracts

WHEN Japanese prosecutors unearthed evidence that construction companies ranked politicians according to influence, beginning with A+ for the very powerful and down to D for those hardly worth cultivating, they probably helped the cause of foreign contractors in the Japanese market.

The investigation into political corruption has confirmed foreign allegations of bid-rigging and political interference in awarding public works contracts. It has also prompted debate about reform of both the building industry and the political system.

In the past few days, 17 of the country's largest contractors have been raided by prosecutors searching for evidence in a tax evasion case against Mr Shin Kanemaru, the fallen godfather of the governing Liberal Democratic party. But their success in highlighting collusion in the industry will force the Fair Trade Commission, the anti-monopoly body, to take tougher action.

For the US government, the prosecutors have furnished much useful information about the "synergy" between politicians and contractors, with the former providing the latter with contracts, and the latter donating to the former a small percentage of a contract's value.

The US has negotiated with Japan for the past decade in the hope of making the contract process more transparent, and had suspected that politicians were a "structural imped-



Miyazawa (left) and Clinton: construction contract issues will be discussed in Washington talks

ment" to a free market. But raising the suspicions during formal negotiations was impossible without causing offence.

Now, damning material gathered by prosecutors is leaked each day to the Japanese press, and the difficulties faced by foreign contractors have been put in a new context. Prosecutors say that politicians simply rang the appropriate government authority to ensure that contracts were awarded to a company which was close to the LDP.

President Bill Clinton will be briefed on construction market access, and he is expected to

raise the issue during a meeting next month in Washington with Mr Kichiro Miyazawa, the prime minister. The two sides are yet to settle a dispute over technical standards, and the US wants additions to the list of 34 projects for which bidding procedures have been simplified for foreign companies.

In response to the emerging scandal, Mr Miyazawa told parliament yesterday that the "time has come for the government to be more open in awarding public works contracts", and that bureaucrats will be instructed to tighten controls over decision-making.

Mr Miyazawa's statement came after a former Construction Ministry official confessed that he was responsible for deciding on a contract during the 1980s, and received a phone call from a senior politician who said Company A should win because "it has studied the project carefully".

Company A did win, the official said, because of the politician's call, but the public reason for its selection was given as "technical know-how". While not all contracts are awarded unfairly, unsuccessful foreign bidders are often said to lack "technical know-how".

The Ministry of Construction, which has represented Japan at the negotiations with the US, lamented the damage done to the image of the construction industry. "We have really been making an effort to ensure transparency and fair competition, and we have tried to meet international standards."

Some curious details about the contract process have emerged in Mr Kanemaru's home prefecture of Yamanashi, where an association of local contractors referred to Yim (¥5,300) kickbacks as *manju*, a very sweet Japanese cake, while a "coffee charge" of ¥20,000 was paid by bidders on decision day.

Mr Kanemaru is still thought of fondly in his home prefecture where a recently-built bridge is known as "Shin's bridge" and a highway has been dubbed "Shin's way". But there is widespread anger in Japan that a percentage of the cost of public works contracts was a donation to the LDP.

Apart from skewering politicians, the prosecutors have shown that *dango* or cartels routinely decide which company will win a contract and the price. US negotiators argue *dango* deny foreign contractors a fair chance, but Japanese companies still say the system gives small companies a decent share of public contracts.

A manager at a large contractor raided this week said that "Americans don't really understand our system", which is based on the principle of "mutual benefit".

EC says US aircraft tax rules unfair

By Paul Betts, Aerospace Correspondent

THE European Commission is expected to accuse the US next week of breaching international civil aircraft trade rules by letting US manufacturers use a controversial financing vehicle to avoid paying tax on aircraft sales.

The EC is threatening to take the issue before a General Agreement on Tariffs and Trade disputes panel.

After a series of renewed US attacks against government support for Airbus, the EC is mounting a vigorous counter-attack on what it claims is increasing administration support for Boeing and McDonnell Douglas.

The EC is especially concerned by the use of a US tax financing vehicle called the Foreign Sales Corporation (FSC) by Boeing and McDonnell Douglas. More than \$5bn (£3.5bn) worth of aircraft are

estimated to have been financed through this technique in the US.

Airbus says such tax benefits are not available to the European manufacturer, and are an unfair export subsidy for the two US companies. "We will certainly press this issue during trade talks with the US in Brussels next week," said Mr Michel Dechelotte, Airbus director of international affairs. He also said Airbus, with 95 order cancellations last

year and a further 20 last week, had been worse hit by the recession than Boeing.

Airbus partners have traditionally relied more heavily on direct support, while US manufacturers have benefited from what the EC claims has been significant indirect government support.

Mr Dechelotte said Airbus was worried the US intended to increase these indirect supports to help its industry during the recession.

Italy tries to curb shoe imports

By Robert Graham in Rome

ITALY is seeking to restrict imports of shoes, ceramics and silks from non-EC countries entering via Britain, Germany and the Netherlands. A letter to this effect has been sent by Mr Claudio Vitalone, the Italian trade minister, to Sir Leon Brittan, the EC Commissioner in charge of trade policy.

Sir Leon has already raised the issue threatening action against these three countries

and the matter was discussed inconclusively in the March 8 Council of Ministers, according to the Italian trade ministry.

Italy is alarmed that some Italian companies are taking advantage of liberalisation in Britain, Germany and the Netherlands following the January inauguration of the single market by importing direct from these countries goods from non-EC members.

The main area of concern centres on imports of shoes,

ceramics and silks - all items which domestic industry is extremely sensitive about - from China, North Korea and Vietnam.

The Italian move appears designed to put pressure on ministers of the Community to resolve the issue of third-country imports.

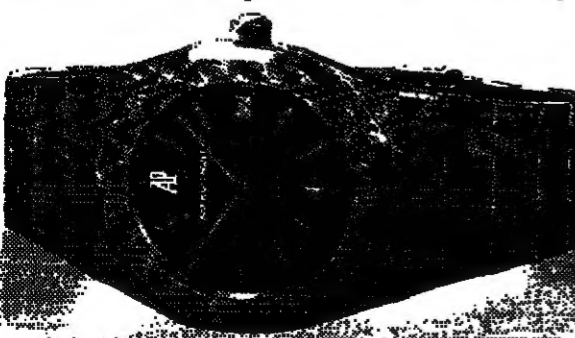
In the meantime, Italy has given notice that it reserves the right to protect itself under Article 115 of the Treaty of Rome.

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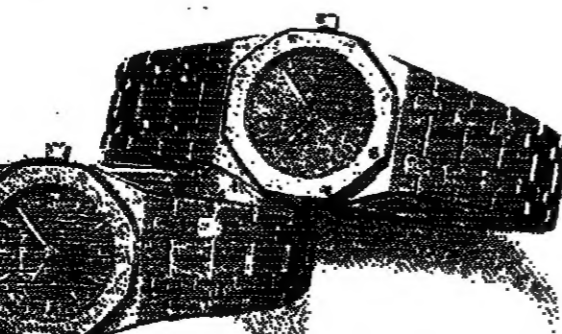
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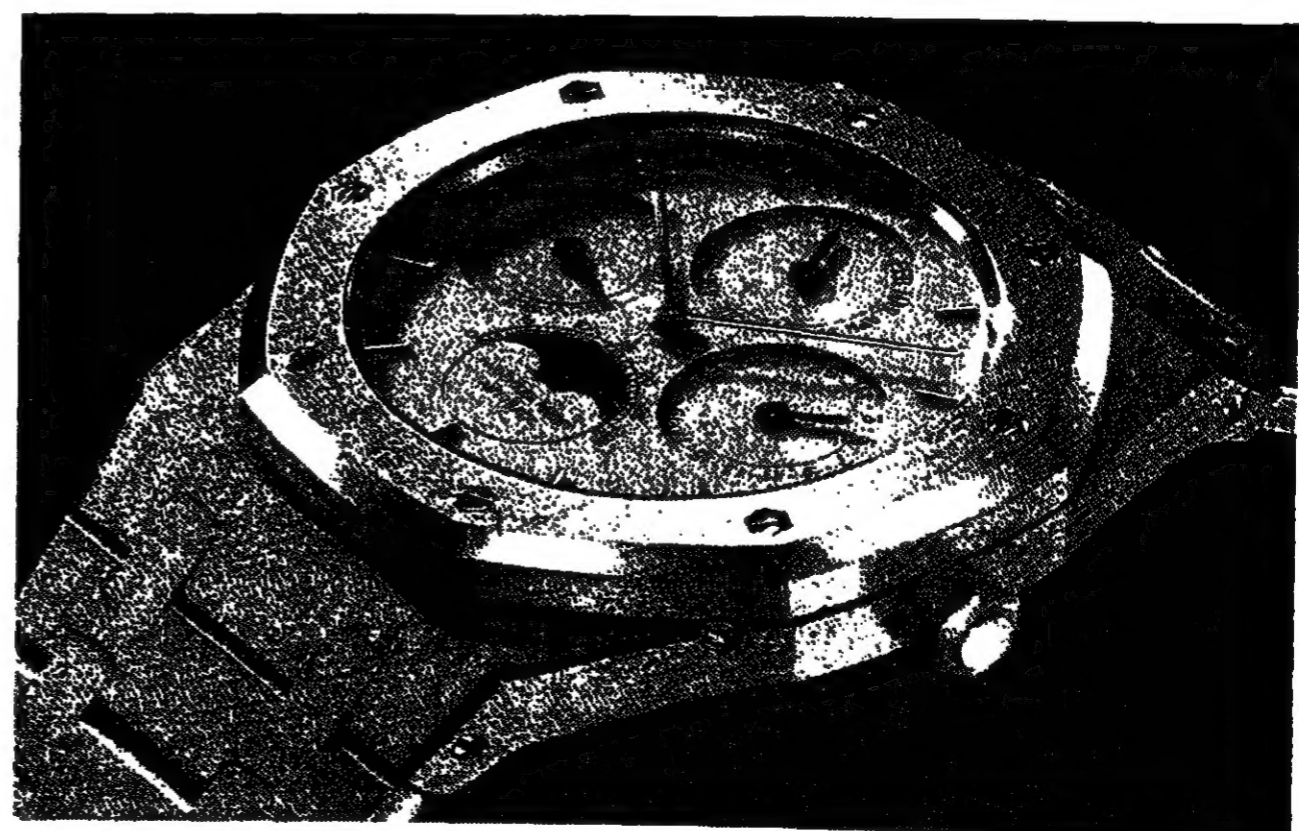
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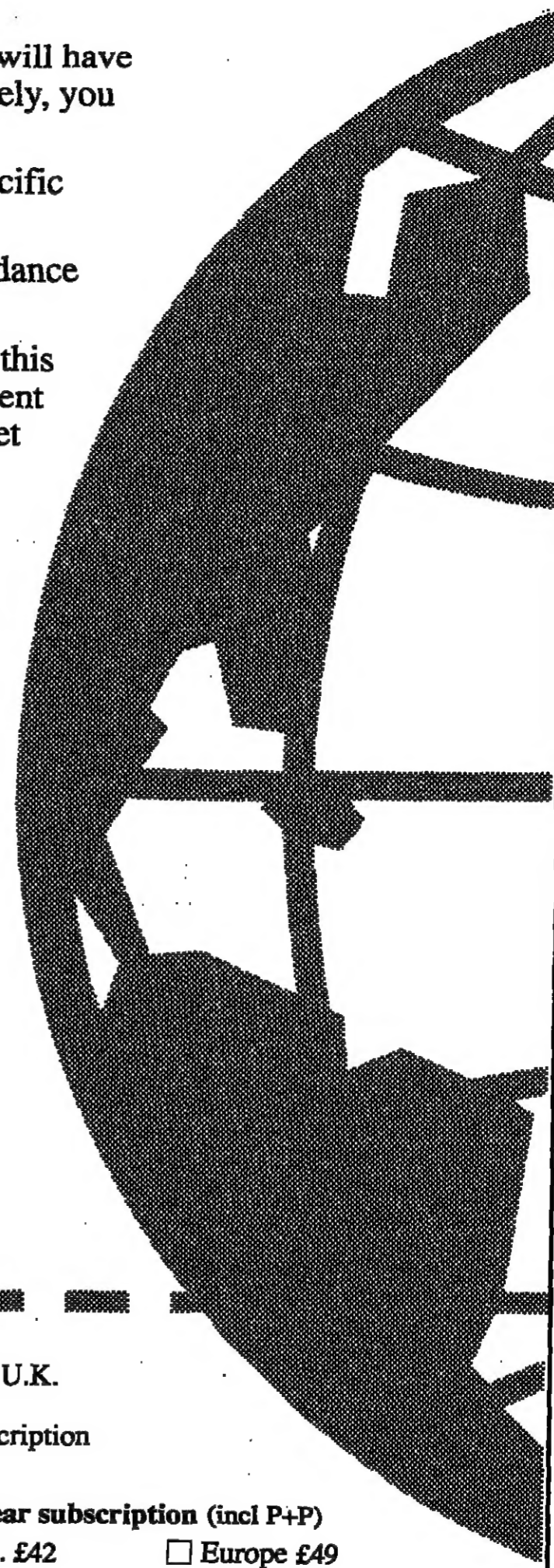
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Japanese retailers report 5.4% fall in sales

By Robert Thomson in Tokyo

JAPANESE retailers reported a 5.4 per cent fall in sales last month, compared with a year earlier, putting added pressure on the government to stimulate consumer spending with an income tax cut in coming months.

The Japan Chain Store Association said sales had fallen against year-earlier levels for six consecutive months, as consumers, intimidated by the economic downturn, have increased their savings and reduced their spending.

Car and commercial vehicle production was down 1.2 per cent to 1,043,000 units in February, the fifth consecutive month of decline, the Japan Automobile Manufacturers' Association said.

Passenger car output, excluding mini-cars, increased 1.1 per cent, but truck production was down 8 per cent, the 19th month of year-on-year decline and a sign of weak capital spending by Japanese companies.

The downturn in consumer confidence has prompted the ruling Liberal Democratic party to consider ways of rekindling demand, apart from an increase in infrastructure investment, as part of a stimulatory package expected to be decided next month.

Mr Hiroshi Mitsuoka, chairman of the LDP's policy research council, wants an initial draft of the package completed on April 5 for presentation to opposition parties, and says the amount will exceed the ¥10,700bn (\$82,573m) emergency package announced last August.

The LDP is also expected to meet opposition parties on April 7 to decide on whether an income tax cut will be necessary to ensure recovery.

Ministry of finance officials are arguing against a reduction, in the belief that a second package alone will be sufficient to achieve a revival in the economy.

N Korea ends 'war footing'

NORTH KOREA said yesterday that it was ending its state of "semi-war" that was declared two weeks ago in response to the annual US-South Korean military exercise, writes John Burton in Seoul.

The Team Spirit manoeuvres, which Pyongyang claimed were a "rehearsal for nuclear war", were completed last Thursday and US troops who participated in the exercise are leaving South Korea.

The proclamation of a "semi-war" footing was a prelude to Pyongyang's subsequent withdrawal from the nuclear non-proliferation treaty.

North Korea said it was pulling out of the treaty due to the Team Spirit exercise and a demand by the International Atomic Energy Agency to inspect two facilities believed to be connected with the country's nuclear weapons programme.

Officials in Seoul said Pyongyang put the country on a "semi-war" footing to build support for North Korea's next leader, Mr Kim Jong-il, who is gradually assuming power from his father, Mr Kim Il-sung.

Mr Kim Jong-il is believed to face army opposition and the semi-war status was meant to assert his authority over the military establishment.

Vietnamese flee Cambodia

Large numbers of ethnic Vietnamese are fleeing their homes in Cambodia following a massacre blamed on Khmer Rouge guerrillas, the United Nations said yesterday, Reuters reports from Phnom Penh.

UN naval peacekeeping patrols have reported movements of Vietnamese on the Tonle Sap, a lake in the centre of the country, a spokesman for the UN Transitional Authority in Cambodia told a news briefing.

About 100 boats were seen travelling down the Tonle Sap River - a tributary of the Mekong that flows from the lake - towards and past Phnom Penh, the national capital, at the weekend.

The exodus follows the killing of at least 38 people during an attack on a Vietnamese village on the Tonle Sap on March 10.

How Xinhua is pulling HK to China

The news agency is midwife of the colony's return to the motherland, Simon Holberton writes

EARLY next month Mr Zhou Nan, director of the Xinhua news agency in Hong Kong, will take a group of about 50 personalities from the colony to Beijing to receive their letters of appointment as "advisers" to China on Hong Kong affairs.

A year ago Mr Zhou presented the leadership with a glittering array of Hong Kong's leading plutocrats, including Mr Li Ka-shing, Mr Henry Fok, Sir Run Sun Shaw - three of the colony's richest men - and a smattering of former civil servants, judges and serving politicians.

This April will be no different, except in one respect. Mr Zhou's latest trophy will be Sir David Akers-Jones, a former chief secretary of the colony, and a British civil servant of the old school. He resigned earlier this week from chairmanship of Hong Kong's Housing Authority - a position from which he has been an opponent of Governor Chris Patten's plans for more democracy in Hong Kong.

What Sir David's and the other 50-or-so appointments to Beijing's court will underline is the gravitational pull of China and the corresponding

waning of British power in Hong Kong. From Beijing's angle, Xinhua deserves much credit for hastening that process.

In Hong Kong Xinhua is the face of the Chinese central government - a regime that rarely does anything unintentionally - in belligerent mode. In the run-up to 1997 it is the midwife to Hong Kong's return to the motherland.

Its headquarters, faced in red granite, opposite the Happy Valley race course on Hong Kong Island, houses some 650 mainland officials. Journalists working for the news agency occupy the first six floors of its former HQ in Wanchai.

Xinhua's role has changed with the demands of the time. During the Cultural Revolution it agitated against British rule in Hong Kong until Zhou Enlai, China's then prime minister, called a halt.

During the 1970s, when China was still a diplomatic outcast, Xinhua's "foreign affairs" department met diplomatic representatives of countries with which China had no formal ties. More recently, diplomats say, it has been the conduit for unofficial talks with South Africa and was China's

channel for setting up diplomatic ties with Israel last year.

The agency's work in Hong Kong is, however, the standard by which it is judged in Beijing. Mr Li Peng, China's prime minister, ought to be pleased with Mr Zhou's performance since he took over Xinhua in early 1990 from Mr Xu Jiatun - the highest ranking Chinese communist official to defect to the west.

Mr Xu lacked revolutionary fervour in his later years and was an ideological casualty of Beijing's Tiananmen massacre in June 1989. Not so Mr Zhou. He is a man whose loyalty to the Chinese Communist Party is such that in spite of being a vigorous Cultural Revolutionary, for which he won few friends, he has gone from strength to strength in the era of Deng Xiaoping and "opening to the outside world".

If "hardline", "moderate" and "liberal" have any meaning in Chinese politics, then Mr Zhou is assuredly a hardliner. He has, according to western analysts and Xinhua employees, toughened up the organisation and overseen its "united front" activities in the colony to great effect.

The agency draws its senior

officials from the upper echelons of the party. Mr Zhou, who holds ministerial rank in the Chinese government, is a career diplomat who has served in Pakistan and Tanzania, and at the United Nations.

He was a member of the Chinese team which negotiated the Sino-British Joint Declaration of 1984 and, last October, was appointed to the central committee of the Communist party.

Fluent in English and fond of quoting Shakespeare, Mr Zhou is passionately anti-British. Some analysts attribute this to his early diplomatic experience of former British colonies; others to his first job.

During the Korean War he interpreted for Chinese interrogators of Allied prisoners of war.

"POWs are often scared and they collaborate; their interrogators feel contempt for them," said one observer.

But Mr Zhou's claim to fame may be the accolade he received from Mr Deng after the Joint Declaration was agreed in 1984. UK officials saw him as one who tried to wreck those talks, but Mr Deng is reported to have said he did a good job, a commendation that



Zhou Nan: has toughened up his organisation

has shielded Mr Zhou ever since, but one which may only be good for the term of Mr Deng's life.

Other senior officials of the agency have held senior provincial government positions. Mr Qin Wenjun, the agency's No 2 deputy director, was the vice-major of Shenzhen, the "special economic zone" to the north of Hong Kong.

His responsibilities include "co-ordination", or building a broad coalition of "capitalist and bourgeois forces" in opposition to the British.

He reports directly to the party's United Front department in Beijing. Xinhua has opted for the more neutral term "co-ordination" so as not to offend the locals, one employee said.

Mr Zhang Guoxiong, the agency's first deputy director, was formerly head of the Guangdong communist party's personnel issues and "social work". Xinhua's liaison with trade unions. He is one of the few senior Xinhua officials who speak Cantonese, the dialect of Hong Kong and neighbouring Guangdong.

The agency puts little trust in its locally recruited staff, a mirror of the Communist party's broader distrust of Hong Kong.

Many of its local employees, who believed in the Joint Declaration's promise of "Hong Kong people ruling Hong Kong" with a "high degree of autonomy", are dejected about the current turn of events. "In theory, what China wants is a smooth transition," says one.

"But in essence they want to control HK from behind the scenes. They are only interested in those who will follow what they say."

Weizman elected Israeli president

By Roger Matthews in Jerusalem

MR EZER WEIZMAN, one of Israel's most colourful and controversial politicians, was yesterday elected as the country's seventh president.

A supporter of direct contacts with the Palestine Liberation Organisation and a man who finds his opinions difficult to contain, Mr Weizman can be expected to push to the limits the remit of his mainly ceremonial post.

"I think I know what I am forbidden to do, but I am not yet clear what I am allowed to do," he said after winning the vote by members of the Knesset (parliament).

Mr Yitzhak Rabin, the prime minister, was quick to enlighten him.

He said Mr Weizman well understood presidential responsibility, which was to unite the people, help the government and advance its goals without being political.

Israel's new president is one of the country's few politicians who have moved from right to left across the political spectrum.

The architect of Israel's air victory in the 1967 six-day war, he guided the Likud party to its shock electoral triumph in the 1977 general election and was the only politician in Israel to strike up a personal relationship with President Anwar Sadat after the Egyptian leader's visit to Jerusalem later that year.

Mr Weizman, who learned to fly with the Royal Air Force during the second world war,



Weizman: has moved across the political spectrum

joins fellow-pilots Assad of Syria, Mubarak of Egypt and Hussein of Jordan at the centre of Middle East peace efforts.

Mr Shevah Weiss, speaker of the Knesset, saw it as an omen that the peace process was about to take off.

How far it might fly will be more emphatically affected by another Israeli election yesterday where four candidates are fighting for leadership of the Likud party. Likud is historically committed to the idea of a greater Israel which includes the Arab occupied territories.

With the result due to be announced today, the likely victor is Mr Benjamin "Bibi" Netanyahu. He is seen by his supporters as the modern, television riposte to the ageing generation of politicians represented by Mr Weizman and Mr Rabin, but by his detractors as shallow, superficial and self-centred. If no candidate wins 40 per cent of the votes cast at an estimated 200,000 Likud members, a second round will be necessary.

De Klerk to crack down on violence

By Patti Waldmeir in Cape Town

PRESIDENT F.W. de Klerk told a joint sitting of South Africa's parliament in Cape Town yesterday that he would mobilise military reservists in a crackdown on what he called "barbaric" political violence.

Mr de Klerk has recently been facing a public outcry over attacks on whites by blacks, in which several people, including schoolchildren, have been killed. His ministers have raised the fear that such attacks could spark revenge violence, and spiralling inter-racial conflict.

Mr de Klerk said a solution to political violence should be the agenda at multi-party democracy talks due to begin again next week. Parliament would be asked to vote on suspending the moratorium on the death penalty adopted three years ago.

He favoured the death penalty for certain extreme crimes, but MPs would be allowed to vote according to their conscience.

Recalling the slaughter of six black schoolchildren near Pietermaritzburg earlier this month and last Friday's killing of a mother and two children near Johannesburg, he said: "This is barbaric and totally unacceptable in a civilised society."

Reservists would be mobilised to boost security forces manpower in an unequipped "action plan" to stabilise troubled areas.

Mr de Klerk called on the radical Pan Africanist Congress (PAC) to distance itself from guerrilla attacks by its military wing, the Azanian People's Liberation Army (APLA), and said police had arrested 18 APLA members. More arrests would follow.

The government would hold the PAC responsible for APLA's actions, he said, but refrained from repeating an earlier government insistence that the PAC repudiate APLA as a condition of its participation in next week's talks.

Black gunmen have killed 10 whites since December in attacks on commuters, a club, a restaurant and a farm.



SOUTH AFRICAN children enjoy the excitement of travelling with an armed soldier on the school bus to Eikenhof and Walkerville, south of Johannesburg. Security has been tightened after an attack by black gunmen on a car during a school run in the Walkerville area, when a woman, her son and another child were killed

Keating reshuffle a 'generational change'

By Kevin Brown in Sydney

MR PAUL KEATING, the Australian prime minister, yesterday promoted six backbenchers to the cabinet in a reshuffle designed to keep the Labor party in government for the rest of the decade.

Mr Keating also moved several senior public servants and restructured a number of departments in an attempt to distance the government from the nine-year administration of Mr Bob Hawke, the former prime minister.

He said the reshuffle represented a "generational change" which would renew Labor's capacity to govern and prepare the party for the next election, due by mid-1996.

In an unexpected move, Mr Keating took personal responsibility for Aborigi-

nal affairs at cabinet level, one of several non-economic portfolios he has identified as priorities following Labor's election victory last week.

The decision suggests that the government plans to accelerate attempts to achieve reconciliation with Aborigines and to negotiate a compromise on controversial land rights claims.

The other big surprise was the appointment of Senator Peter Cook, the former industrial relations minister, as trade minister within the cabinet. Mr John Kerin, the sacked former trade minister, was not a member of the cabinet.

Senator Gareth Evans remains foreign minister, with the added post of government leader in the Senate.

The economic ministries are

unchanged. Mr John Dawkins stays on as treasurer and Mr Ralph Willis remains as finance minister.

In other moves, Mr Keating doubled cabinet representation of the health and housing department, and created separate ministries for Pacific Island affairs, schools and training, and regional affairs (within Australia). He also streamlined the cabinet committee system, drawing criticism from environmental groups angry about the abolition of the sustainable development committee, which co-ordinated big development projects.

In the public service, Mr Ted Evans, Australia's chief representative at the International Monetary Fund, becomes head of the Treasury, replacing Mr Tony Cole, who is thought to have

clashed with Mr Dawkins.

Mr Cole and four other department heads will move to other departments or to overseas posts.

The most senior of the new members of the cabinet is Senator Graham Richardson, a long-serving former minister who resigned last year after allegations about his relationship with a businessman facing fraud charges.

The other new cabinet members are Mr Alan Griffiths, industry; Senator Bob McMullan, arts; Mr Laurie Brereton, tourism and resources; Mr Peter Baldwin, social security; Mr Duncan Kerr, justice; and Mr Michael Lavarch, attorney-general.

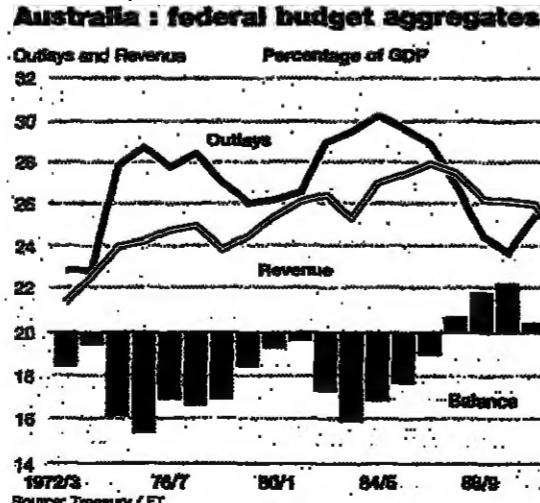
Mr Baldwin and Mr Griffiths were formerly junior ministers.

Bank chief damps Labor's upbeat mood

Australia's newly elected leaders are urged to cut budget deficit, writes Kevin Brown

Source: Treasury / FT

Australia: federal budget aggregates



claims that faster economic growth will virtually balance the government's books by 1996-97.

But Mr Fraser's warning adds weight to claims by many economists that the bulk of the deterioration reflects structural changes in the composition of the budget which will not be eliminated by recovery.

Mr Bill Shields, chief economist at Macquarie Bank, says that even before including election promises worth \$22bn (\$280m), the federal budget deficit is likely to rise from \$15.5bn this year to \$16.3bn in 1993-94, equivalent

to 3.6 per cent of gross domestic product.

Worse still, he forecasts that the net public sector borrowing requirement, which includes state debts, will rise to nearly 6 per cent of GDP next year, excluding asset sales. This compares with net repayments of nearly 2 per cent of GDP in 1988-89.

The danger is that this increased call on savings will impede private sector investment by pushing up real long-term interest rates. But balancing the budget will not be easy.

Paradoxically, the govern-

ment's success in reducing inflation to 0.3 per cent will reduce growth in revenue by limiting the impact of partial tax indexation, or "fiscal drag."

In addition, Labor's pre-election manoeuvring included legislation guaranteeing \$49bn in personal tax cuts in the two years to 1996.

The opposition parties, which control the Senate, are unlikely to allow Mr Keating to withdraw the reductions, even if he thought it politically sensible.

In its pre-election economic statement, the government forecast that accelerating growth would reduce the federal budget deficit to about 1 per cent of GDP by 1996-97, which would stabilise federal government debt at about 21.6 per cent of GDP.

Macquarie Bank's analysis suggests that such an outcome could be achieved only by substantial cuts in government spending - \$44.4bn over four years if real growth averages 4.25 per cent, or \$40.6bn on the more realistic assumption of 3 per cent average growth.

But the real fiscal position may be even worse.

Mr Geoffrey Lehmann, a partner in Price Waterhouse, the accountancy firm, calculates that Labor's policy announcements since the last budget, including uncosted election promises, will reduce

Nigeria warned on debt repayments

By William Dawkins in Paris

WESTERN creditor governments warned Nigeria yesterday that new loans might dry up if it failed to reduce its \$3bn to \$4bn (\$2.23bn to £3bn) arrears on official debt repayments.

The warning was issued to Mr Oladele Olashore, the Nigerian finance minister, who was summoned to appear for two hours before the Paris Club of official creditors to explain why the country had fallen so far behind on payments so soon after its last agreement lapsed a year ago.

The Nigerians were told that it will be difficult to get new money unless they regularise their payments," said an official. Several creditors feel that they are in a difficult situation, he said. It is very rare

for finance ministers to be asked to the Paris Club's regular monthly working level meetings, a mark of lenders' concern over Nigeria's case.

Mr Olashore was told that Nigeria will get the debt relief it so badly needs only if it gets an IMF agreement. He told sceptical creditors that Nigeria hoped to get such an agreement before the general election, due to bring a civilian president to power in August.

Nigeria is struggling with a worsening balance of payments crisis and pressure on its currency, which have together eaten away at much of its foreign reserves, now the equivalent of less than eight weeks' import cover.

By the end of last year, it had \$27.8bn foreign debt, of which \$16.5bn was owed to the Paris Club.

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Weizman elected Israeli president

By Matthew ...

Greenspan cautions on tax increases

By Michael Prouse in Washington

THE US Federal Reserve chairman, Mr Alan Greenspan, yesterday stepped into the political debate about deficit reduction by urging greater reliance on spending cuts than on tax increases.

The federal budget deficit was a "malignant force" that was threatening the economy's stability, Mr Greenspan said. He warned Congress not to rely too heavily in the long run on tax increases which "by their very nature restrain business activity".

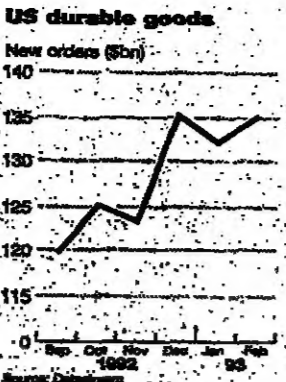
He was testifying on Capitol Hill following the release of official figures showing an increase in new orders for durable goods of 2.3 per cent last month and 14.5 per cent in the year to February - another sign recovery is on track.

Mr Greenspan has previously argued that the Fed should stay aloof from political wrangles about the relative merits of tax increases and spending cuts - decisions which are the responsibility of Congress and the White House.

Without challenging specific elements of the administration's economic plan, Mr Greenspan yesterday appeared to lend support to Republican critics arguing for greater spending restraint.

He said senators should recognise that "trying to wholly, or substantially, address a structural budget deficit by increasing revenues is fraught with exceptional difficulties, and is more likely to fail than to succeed".

From 1997, budget outlays were set to rise appreciably faster than the tax base. "If such trends aren't altered, stabilising the deficit-GDP ratio solely from the receipts side, not to mention reducing



Caracas budget deficit set to fall

By Joseph Mann in Caracas

VENEZUELA'S public sector deficit was expected to fall from 3.4 per cent of GDP from more than 6 per cent last year, Mr Ricardo Hansmann, minister of planning, said yesterday.

The deficit is being reduced through a series of measures, including cuts in state spending and increased charges for public services.

Pressure on the beleaguered government of president Carlos Andres Perez has prompted further efforts this year to reduce official spending and boost revenues. This is in spite of government promises in its original budget of real cuts of about 20 per cent in public spending.

Taxes and royalties on petroleum exports, which are the main source of the Venezuelan government's revenues, have fallen dramatically in recent years as exports have declined.

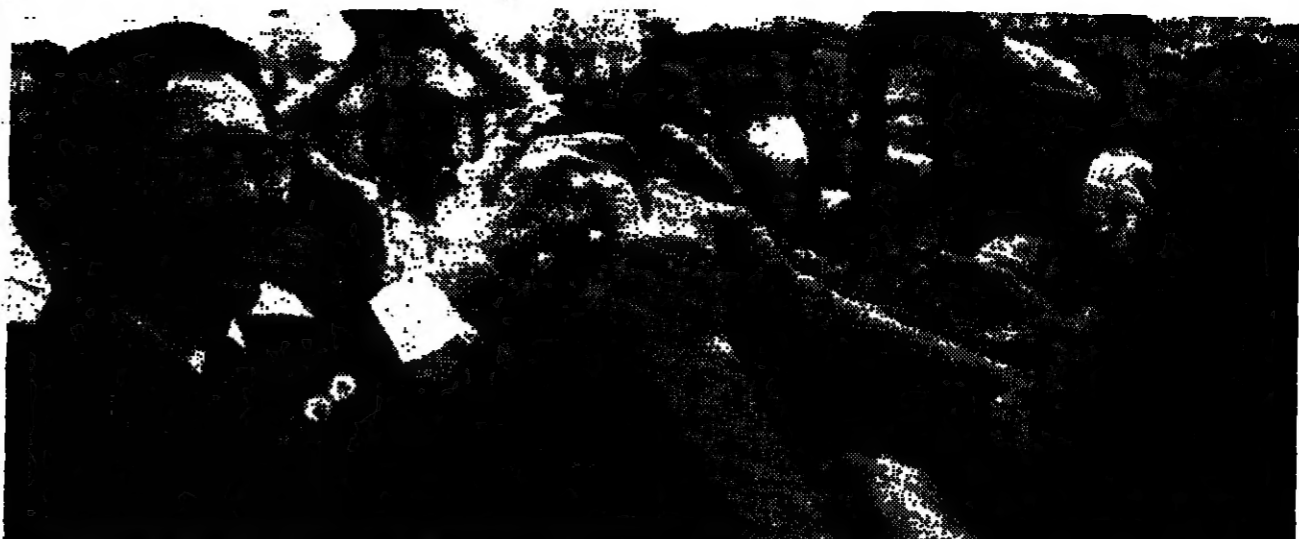
At the same time, the Venezuelan Congress has failed to approve two long-standing administration proposals for new taxes (a value added tax and a tax on assets).

Congress convened special sessions early this year to consider the tax bills and other issues. The special sessions ended and the ordinary term has begun, but the bills still have not been approved.

Congressmen and senators - facing elections in December - appear to be worried that their already low levels of popularity would be worsened by the imposition of new taxes.

The Perez administration is also hoping it can raise extra revenues this year from its privatisation programme, which was stalled last year by two attempted coups and months of political turmoil.

The government raised over \$2.3bn (£1.6bn) with 19 privatisations from 1990 to 1992. This year alone it hopes to raise a further \$2bn from the sale of some important assets, including electric power companies and an airline.



Peru's President Alberto Fujimori: seeking to generate enthusiasm abroad

Government aims to lure wave of investors across Pacific

Peru lays out welcome mat

IF YOU want a new nationality, have money to invest and can put up a non-refundable cash contribution of \$25,000 (£17,500), you could soon become a Peruvian.

Last week, Peru waived the two-year waiting period for foreigners wishing to apply for naturalisation. The aim, according to President Alberto Fujimori and Mr Joy Way, a former industry minister, is to encourage immigration by Asian businessmen, especially from Hong Kong.

The government hopes a new wave of immigrants will bring technology, expertise and cash. Mr Fujimori is predicting a "first wave" of 10,000 immigrants, which would swell state coffers with \$250m to aid emergency social programmes.

"This is not a migration policy but an investment policy," he said at the weekend.

The drive for foreign investment gained fresh impetus last week when the International Monetary Fund gave the government a long-awaited stamp of approval for its economic reform programme.

Mr Fujimori plans to start travelling abroad again "to do business". Peruvian and Japanese businessmen have already arranged visits aimed at attracting investment to Peru.

Net direct foreign investment over the past 15 years has totalled only \$700m. Recent investment commitments - by Anglo American in the Quellaveco copper deposits, by the Chinese Shougang Corporation in iron producer Hierro Peru, and by Petrotech in the ex-Beico drilling operation off Peru's northern coast - will, if fulfilled, more than double that figure in the next few years.

The country's fledgling privatisation programme is to be stepped up sharply with sales worth some \$1.4bn scheduled for this year alone. Mr Daniel Hokama, mines and energy minister and head of the private investment banks, notably Coopers & Lybrand, Morgan Grenfell and Chase Manhattan, are advising on disposal of state assets. Privately, some express reservations about the speed with which privatisation is being pushed ahead. Country risk remains a consideration and investment banks predict difficulties in finding four or five rival bidders, even for sectors with as much growth potential as telecommunications.

Increasingly, foreign investment is seen as the panacea for

Senate backs Clinton tax proposal in narrow vote

By George Graham in Washington

THE US Senate yesterday narrowly backed President Bill Clinton's proposal to subject a greater proportion of Social Security benefits to income tax, defeating a Republican amendment to strip this measure out of the budget package.

The White House had no doubt the vote would be close, so Vice-President Al Gore, who by virtue of his office presides over the Senate, hurried to Capitol Hill in case his tie-breaking vote was needed.

In the event Mr Gore's presence was not required, as Democrats mustered 52 of their 57 Senate members to back President Clinton. Four Democrats voted with the Republicans, including Senator Bob Krueger of Texas, who faces a by-election in six weeks to try to keep the seat he has filled since Mr Lloyd Bentsen became treasury secretary.

Senator George Mitchell of Maine, the Senate majority leader, defended the measure as a necessary component of the Clinton economic package.

"Our colleagues are now making an effort to derail President Clinton's momentum," he said. But Republicans claimed the measure was an unfair tax increase on middle- and low-income social security recipients.

Retired people now pay income tax on 50 per cent of Social Security benefits should income exceed \$25,000 (£17,500) for a single person or \$32,000 for a married couple. The new proposal would raise the taxable portion to 85 per cent.

US politicians have learnt from bitter experience not to tangle with the elderly, because they vote in far greater numbers than any other age group.

Sally Bowen on plans to attract immigrants with money to spend

Peru's continuing domestic economic ills, recession stubbornly persists, with industry working at only 45 per cent capacity and gross domestic product still contracting after last year's 2.7 per cent fall. The sol remains heavily overvalued, making exports unprofitable and imports cheap.

Industry has been further squeezed in the drive to raise tax revenue. The manufacturers' society SNI claims industry currently contributes 59 per cent of all fiscal income.

The society's recipe for economic revival includes a cut in value added tax from 18 to 5 per cent as the tax base is widened; a hefty cut in taxes paid by industry for basic services such as electricity, communications and fuel; implementation of a tax incentive scheme for exporters; and a sharp reduction in borrowing costs for business which are around 18-20 per cent.

It also favours drastic measures to halt large-scale smuggling. Industrialists estimate Peru is being flooded with illegally imported goods worth \$1bn a year, a third of the value of legal imports.

Austere fiscal management and a two-year squeeze on liquidity, meanwhile, has failed to eliminate inflation. Monthly price rises are still running at around 4 per cent.

Mr Jorge Camet, the new economy minister, is promising "at least" 3.5 per cent growth this year and gradual progress in reducing inflation, devaluing the sol and cutting interest rates.

Opinion polls show popular approval of the economic programme at its lowest level (27 per cent) since August 1990's "shock" price adjustments. Economists remain suspicious that, without the uncompromising (and recently sacked) Mr Carlos Bolana at the fiscal and monetary helm, Mr Fujimori may veer from economic discipline towards economic populism.

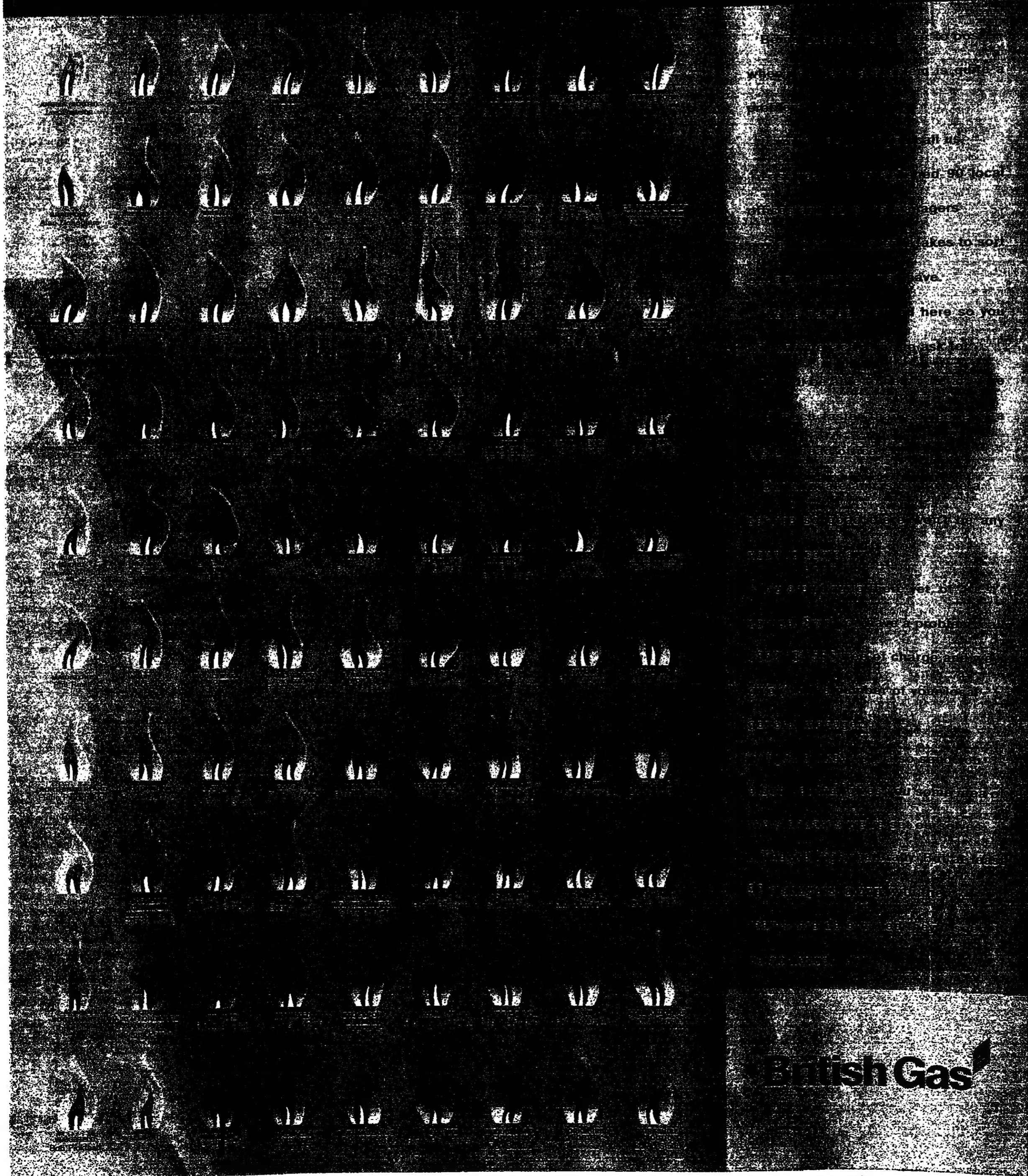
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British Gas

FINANCIAL TIMES

Heseltine
ready for
fight over
coal pits

By David Owen, Anne Kelly
and Michael Smith

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Heseltine ready for fight over coal pits

By David Owen, Ralph Atkins and Michael Smith

MR MICHAEL Heseltine, trade and industry secretary, will today launch an intensive campaign to win support for his policy on the future of the coal industry.

He has been encouraged by the early reaction of former Tory rebels to the outline of his proposals, expected to be published today in a new policy document.

At least two of the 11 Tory MPs who failed to support the government when its pit closure programme was debated last October appeared to have been brought on-side by reports that a package had been agreed to save or mothball between 12 and 19 of the threatened pits.

But there were still concerns that the government was putting in place what amounted to a short-term political fix and some of last year's rebels continued to pledge defiance.

A meeting of a dozen MPs in the coal group of Tory backbenchers was understood to have agreed to focus its efforts on improving the long-term prospects for coal if, as expected, the subsidies proposed by the government are limited to two years.

Intensive negotiations, meanwhile, were continuing last night in an attempt to conclude deals between the coal and electricity industries for coal. But it was uncertain contracts could be signed before the policy document, or white paper, was published.

Mr Heseltine is expected to back down from his previous insistence that these deals be signed before the white paper is published.

The policy will outline how up to 13 out of the 31 threatened pits can be saved and about another six placed on a "care and maintenance" basis - in effect mothballed.

Others could be transferred to the private sector under a speeded-up privatisation programme. The government will offer a subsidy per tonne of coal - estimates for which vary between \$5 and \$12 a tonne - as well as proposals for expanding the market for coal and curbing imports. Subsidies are not expected to last more than two years.

There was scepticism among British Coal managers last night about whether the white paper would lead to many of the apparently reprieved pits staying open for as long as two years. The government won last October's vote with a majority of 13. If necessary, it could try to persuade them against entering the opposition lobby once again. The votes of the party's nine MPs remain uncommitted.

Tories face Maastricht dilemma

By Alison Smith and Ivor Owen

BRITAIN'S opposition Labour party yesterday proposed a new amendment to the Maastricht legislation which could leave the government with the choice between not being able to ratify the treaty or having to accept the social chapter.

The amendment would prevent the ratification bill coming into force until the House of Commons had decided whether the social chapter should apply to the UK. This would mean a separate debate, after the bill had been through parliament.

In a further threat to the government, it emerged that at a meeting on Tuesday, Euro-

sceptics in the Conservative party had received legal advice which encouraged them to seek a judicial review of the attorney-general's opinion about the impact of a separate Labour amendment.

Last month, Sir Nicholas Lyell, the attorney, surprised MPs by contradicting foreign office lawyers' advice that accepting the amendment, which excludes the social chapter from the bill, would wreck the treaty.

If the amendment is passed, the Tory rebels are now determined to challenge his view.

The new Labour clause is being carefully studied by other opposition parties and by Tory rebels, but it would be a

tortuous process to reach the point at which the government had to choose between not going ahead with Maastricht and adopting the social chapter.

To get there, Tory Euro-sceptics would have to vote explicitly for the social chapter, which they do not support, in the hope that ministers' vehement opposition to the chapter would mean that the UK government would prefer not ratifying to adopting it.

But if that were the choice, the government would come under severe pressure from many Tory backbenchers to accept the social chapter rather than wreck the treaty. They believe that more jobs

would be lost through a fall in inward investment if the UK did not sign up to Maastricht than would be lost because of the social chapter.

One possibility would be for the Tory rebels to vote for the amendment to the bill, without committing themselves on how they would vote over the social chapter.

Tory Euro-sceptics repeatedly challenged claims by Mr Tristram Garel-Jones, a foreign office minister, that the court had already adapted to a less centralised role and was taking more account of the views of national governments.

In the Commons itself, on the seventeenth day of detailed discussion of the bill, govern-

ment hopes of speeding up progress were given a boost when Liberal Democrat MPs helped it to secure a majority of 57 to curtail a debate on the role of the European Court of Justice.

Plans for rapid progress on the legislation were also helped after the centrist Liberal Democrats said they would not back five key Labour amendments. Sir Russell Johnston, Liberal Democrat European spokesman, said the party wanted to ratify the treaty quickly and criticised Labour tactics. "We are not here to play games with the future of Maastricht. That is what the Labour Party has been doing," he insisted.

Britain in brief



Bank hints at devolving deposit role

The Bank of England hinted yesterday that its role as protector of bank depositors should be devolved to an outside institution.

Mr Brian Quinn, the director in charge of supervision, said that current arrangements for supervising and regulating banks "may have to be reconsidered". Although his speech gives few details on this issue, it is understood that Mr Quinn believes there is a distinction to be drawn between his department's two main functions: the protection of the financial system and the protection of depositors.

Bank on April 1. The system is the first of its kind and is aimed at reducing credit card crime.

The new computer system - known as Fraud 2000 - will first compare the purchase being made to a number of common indicators of card fraud, such as the number of transactions made in one day or the amount being spent. If its electronic eyebrows are raised, it will compare the purchase to the normal pattern of spending by the customer.

Ulster power sale cleared

The delayed privatisation of Northern Ireland Electricity (NIE) is to go ahead early this summer in a sale likely to raise about £200m. The decision to go ahead follows European Community approval for a £60m grant towards a £200m investment programme involving a new power line from Scotland.

More jobs at Lucas venture

Lucas SRI, a joint venture company of Lucas Industries and Sumitomo of Japan operating in Newcastle under Lyme, Staffordshire, is planning to take on an extra 150 employees as its production of car wiring systems builds up. The company has contracts to supply not only the new Toyota plant at Burnaston, central England, but also Rover and Honda.

High costs of sports injuries

Injuries caused playing sports cost Britain £400m a year in lost production and 8m days are taken off sick, according to the Sports Council.

Revaluation of assets urged

Companies will be required to revalue regularly most of the assets shown in their accounts, under radical proposals issued by the Accounting Standards Board. They would need to show properties, quoted investments and commodities in their balance sheets at current values which are up-dated every few years.

Credit card computer check

A computer system designed to block criminals as they attempt to use a credit card, will be launched by Barclays

Task force for Thames corridor plan

A CAUTIOUS step was taken by the government yesterday towards transforming the run-down swathe of riverside to the east of London into a prime development area generating thousands of new jobs, writes Richard Evans.

Mr Michael Howard, environment secretary, said he was setting up a task force to spearhead development of the East Thames Corridor to boost growth and create over 100,000 new jobs and homes.

The 30-mile corridor on both sides of the Thames from Docklands (pictured right from Canary Wharf) to the sea could become the bridgehead to Europe, he said.

The intention is to avoid the mistakes made in the London Docklands by ensuring that the development of the corridor coincides with a big infrastructure programme.



MPs back privacy law to curb intrusion by media

By Guy de Jonquieres

THE UK media faced a new clampdown yesterday after a House of Commons select committee recommended a law to protect privacy, state-funded legal representation for libel actions against the media and the creation of two new watchdogs with powers to punish intrusion by the press.

The report, by the national heritage committee, rejected the proposal by Sir David Calcutt, in a recent report to the government, that a statutory tribunal be established to deal with complaints against the press.

The committee, however, recommended that certain types of intrusion be made criminal and civil offences and proposed that the government appoint an ombudsman with statutory authority to supervise the conduct of the media.

The report was criticised by national newspapers and industry organisations, which accused the committee of recommending costly and unnecessary intervention into the affairs of the press.

Sir Frank Rogers, chairman of the Newspaper Publishers Association, called it "an extraordinary document - diffuse and even incoherent".

Lord McGregor, chairman of the Press Complaints Commission (PCC), the self-regulatory body established in 1990, accused the report of "slovenly procedures".

The committee calls for a protection of privacy act which would make electronic bugging and trespass criminal offences. It would be a civil offence to obtain or publish harmful or embarrassing personal material, or photographs, to publish misleading personal information and persistently to intrude on privacy.

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Spain's love affair with the sea is many fathoms deep - Traditionally, her loyalties have been split three ways. In the north, the Cantabrian Sea holds sway. In the west, the wild Atlantic pays court to her shores. In the south, the more sultry charms of the blue Mediterranean are there for all to enjoy - Every mile of the three thousand miles of coastline has something different to offer - And since the sea is so seldom gather off Spanish shores, the sailing season is a long one - Luxury yachts and more modest craft off the Balearics and the Canaries, right through the winter months - And whether you're an old sea dog or an absolute beginner, you're always sure of a warm welcome in Spanish waters.



UK 'leads world' in meeting Rio targets

By Bronwen Maddox
and Paul Cheeseright

MR JOHN MAJOR, the prime minister, yesterday claimed that "the environmental buck stops in our backyard" and that Britain was in the international lead in implementing the targets set by the Rio Earth Summit.

Speaking at the opening of the Global Technology Partnership conference in Birmingham he announced a package of measures to help businesses adopt new technology and to encourage energy efficiency. The UK would also publish its plan for "sustainable development" - one of the policies agreed at Rio policies - by the end of the year, he said.

Opposition MPs and environmentalists attacked the new technology measures as insubstantial and said that the energy efficiency schemes were not new and would do little to cut carbon dioxide emissions. Mr Andrew Lees of Friends of the Earth, the pressure group, called the speech "an own goal. Now that Mr Major has claimed that the buck stops here he cannot make the UK's target of returning CO₂ emissions to 1990 levels by the year 2000 conditional on similar action by other countries".

The new measures

Proposals for a register of contaminated land have been abandoned after "substantial criticism", the government said yesterday following weeks of speculation. A "new wide ranging review" examining how local authorities might play a greater part would replace the register, said Mr Michael Howard, environment secretary. Property developers and surveyors yesterday welcomed the move, which they argued would have caused blight of property values across the country, including up to a third of the Midlands. But they criticised the lack of a new policy to tackle the problem of polluted land.

announced are:

● A global technology partnership initiative "to create a green virtuous spiral of growth and higher environmental standards." The scheme will run for three years. Companies will be asked to help counter parts in industrialising countries to bypass old technologies.

● A Hands-On Training Scheme, through which the department of trade and industry will meet half of the costs of British companies offering training to executives from companies overseas. The eligible costs include training, including travel to and from the UK, accommodation, and medical insurance.

Mr John Browne, BP's exploration director, said comments by the UK Offshore Operators' Association, the industry group, denouncing the chancellor's reforms were "hasty and inappropriate". He maintains the PRT reforms are overdue because the taxpayer has spent 30 years of subsidising what has often been wasteful oil exploration. The number of wells that make commercial oil finds has dropped in the past five years from one in four to one in seven, according to BP.

Mr Mike Salter, chief executive of Smedvig, a drilling rig operator, who is also chairman of the British Rig Owners Association, said the proposals are going to increase the number of idle rigs.

He said 40 per cent of the drilling rigs in the North Sea are already idle after exploration work fell by 32 per cent last year because of low oil prices and high costs.

Mr Browne does not believe the proposals will kill off exploration work, but make it more cost-effective. He said the reduction in the PRT rate for existing fields will encourage companies to improve the recovery of oil.

Mr Chris Smith, opposition environment spokesman, said: "There is little that is new here - it clearly does not amount to a national energy efficiency policy."

UK exports rose more slowly than imports but nevertheless reached a new record of £4.8bn, up 6 per cent on 1991. Clothing exports rose 13 per cent in the final quarter to a record of more than £2bn. Germany remains the biggest single market for British clothing and textiles with sales of £580m, slightly lower than in 1991.

The report was, however, optimistic on the long term effects of the weakness of sterling on import substitution increased export opportunities.

BP rejects operators' criticism of budget plans

By Deborah Hargreaves

BRITISH Petroleum hit out yesterday at claims made by other North Sea operators that the oil tax changes announced by the government would severely curtail exploration activity in the UK.

But oil rig owners said they had already seen four drilling programmes cancelled since the budget last week.

Mr Norman Lamont, chancellor of the exchequer, said in the budget he would reduce the rate of Petroleum Revenue Tax (PRT) from 75 per cent to 50 per cent. He also abolished tax allowances for exploration.

The divergent views between winners and losers of the government's largest overhaul of North Sea taxes for 10 years are leading to a serious row in the oil industry.

Mr John Browne, BP's exploration director, said comments by the UK Offshore Operators' Association, the industry group, denouncing the chancellor's reforms were "hasty and inappropriate".

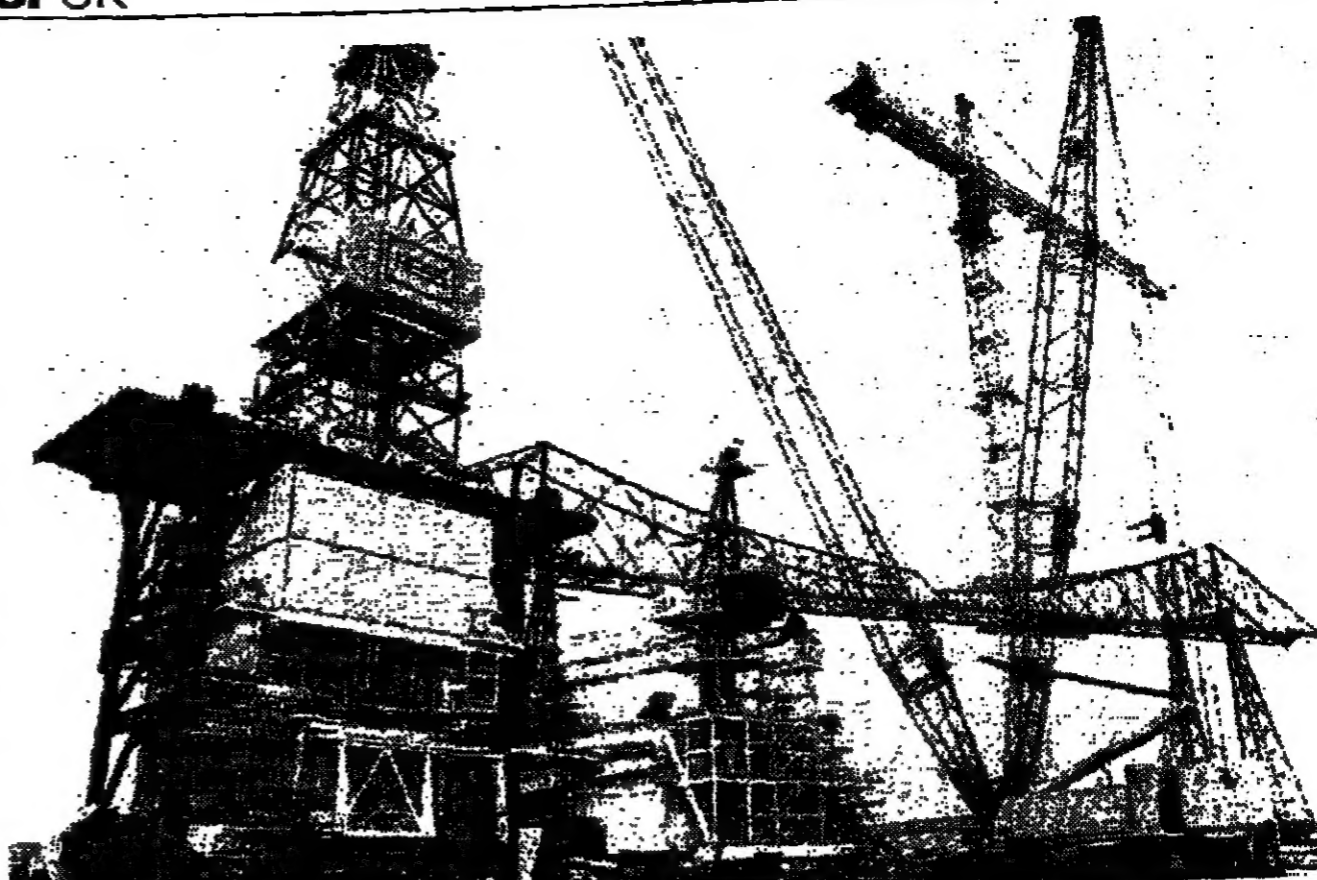
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Oil rig construction at yards such as SLP on Teesside, above, could be cut amid complaints at government budget proposals

Tax regime threat to rig makers

Andrew Taylor on PRT and North Sea oil and gas fabricators

THE threat by Amerada Hess to halve its North Sea oil exploration programme bodes ill for Britain's offshore oil and gas fabricators.

Amerada, one of the most active companies in North Sea exploration, has threatened the cut if the government goes ahead with budget proposals for changes in the petroleum revenue tax regime.

Rig manufacturers have already seen a dramatic drop in work since the Autumn. Two thirds of the 18,000 workers employed six months ago in fabricators' yards have lost their jobs. One yard has been mothballed.

Further rationalisation and closures are inevitable, says the industry, with capacity running well ahead of orders.

A desperate situation could be made even worse if oil producers further reduce exploration. Some fabricators may be forced to pull out of the market altogether.

The industry believes that up to half the 12 yards oper-

ated by the seven largest fabricators - Amec Offshore, Highlands Fabricators, McDermott Scotland, Redpath, RGC, SLP and UIE Scotland - may be vulnerable.

Mr Syd Fudge, chairman of the Offshore Manufacturers and Constructors Association, which represents the seven fabricators, fears that the few remaining opportunities for British companies to tender for North Sea work may be reduced even further as a result of the Conservative government's policies.

Under the budget PRT proposals, extraction from existing fields will become more economic, while operators will no longer be able to offset exploration costs against the profits from existing fields.

The changes could not have come at a worse time for fabricators. A large drop in orders had been expected as the North Sea construction cycle began to ebb.

Investment emphasis is likely to change - most of the large more easily extractable

oil and gas fields were discovered when oil prices were equivalent of \$40 to \$50 a barrel in today's money.

Future fields are likely to be smaller, more complex and more costly to develop, say producers. Recession, and the fact that oil prices are not expected to rise substantially in real terms, will limit further spending.

Investment, they say, is more likely to be in repair and maintenance rather than construction of large new rigs. Production facilities are likely to be smaller, with new units hooking up to existing larger production platforms.

This will mean less need for large assembly yards many of which are in the former shipbuilding areas of north east England and Scotland.

Numbers employed in the yards since September have fallen from 18,000 to approaching 6,000. Turnover of £1.5bn last year is likely to fall to just \$500m this year.

McDermott, the US owner of the Ardersier yard, near Inver-

ness, and one of northern Scotland's biggest employers, has announced it is making most of its remaining 500 workers redundant. The yard which 18 months ago employed 3,500 has run out of orders.

Closures and "moving to little more than care and maintenance," as in the case of Ardersier, will further damage local economies.

The three yards operated by Amec at Wallsend, Newcastle, generated a turnover of £200m last year of which it estimates 80 per cent found its way into the local economy. This year turnover is likely to be nearer £100m - a net loss to the local community of about £50m.

Companies are looking to overseas work to offset the decline. In most cases this will involve selling management expertise rather than providing employment for British workers, materials and components suppliers. The exception is for work for the Norwegian sector of the North Sea, but competition is tough, and tends to favour the home players.

UK trade deficit in clothing at record £3.8bn in 1992

By Daniel Green

BRITAIN'S trade deficit in clothing and textiles reached a record £3.8bn in 1992, almost one third of the total trade deficit, according to an industry report published today.

Imports rose 7 per cent to £3.8bn as overseas manufacturers took advantage of the strength of sterling before it left the ERM in September 1992, says the report from the Apparel Knitting and Textiles Alliance (AKT), the industry's representative body.

"The continuing erosion of the industry's home base by imports is an extremely worrying trend," said Mr Allan Nightingale, the chairman of AKT.

The strongest rise in imports was in clothing, 13 per cent higher in the final quarter of 1992 compared with 1991; the orders were placed before sterling's devaluation.

Hong Kong remains the largest supplier of apparel to the UK, with sharp growth registered from other parts of Asia and Eastern Europe.

UK exports rose more slowly than imports but nevertheless reached a new record of £4.8bn, up 6 per cent on 1991.

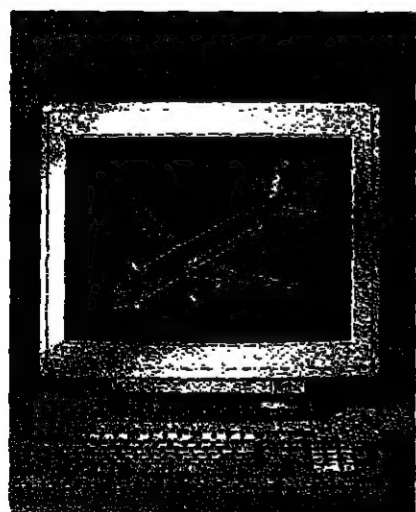
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The European spirit
Synergy at work

Out of step on the catwalk

The fashion show may have had its day, writes Alice Rawsthorn

This time last week more than 2,000 journalists, photographers, store buyers and socialites squeezed into a marquee in a courtyard of the Louvre museum for the traditional highlight of the Paris fashion collections - the Chanel catwalk show.

For years other fashion houses have tried, and failed, to trump the theatricality of the Chanel show. But times are changing. The pressures of recession, combined with the neo-hippy ethos of the early 1990s, has prompted some fashion designers to reassess their attitude to fashion shows.

Yohji Yamamoto and Comme des Garçons, the Japanese designers, scaled down their shows last week. Others, including Martin Margiela,

charged up to \$20,000 a show. The industry can no longer afford such extravagance. The Paris designers' sales fell from FF85bn (€12.8bn) at their 1990 peak to FF43.5bn last year, according to the Chambre Syndicale, which organises the Louvre shows. Many fashion houses have serious financial problems. The latest issue of Harper's Bazaar, the US fashion magazine, questions whether expensive shows are justifiable in an article entitled "Must The Show Go On?"

Ostentatious shows are also out of tune with the times. The informal fashions of the early 1990s look lost in the huge Louvre marquee, as do the new breed of "wealth" models, Kate Moss and Lucie de la Falaise, who have ousted the supermodels.

Yohji Yamamoto and Comme des Garçons left the Louvre this season. "Money isn't the issue," said Comme, which presented its collection in a deserted vegetable market. "It's a question of mood."

Younger designers refuse to show in the Louvre as part of their rebellion against the fashion establishment. The most fashionable events in Paris last week were staged in night clubs, art galleries or, in the case of Xuly-Bê's show, the toy department of the Samaritaine store.

Martin Margiela, a leading avant garde designer, went further by abandoning his show. He presented his clothes personally in his studio and filmed his collection in a "home movie" video to create a "more empathetic environment" for his work.

Other designers may follow by cancelling or scaling down their shows. This raises the risk that fewer journalists and buyers will come to the Paris collections, thereby jeopardising the city's status as the international fashion centre and imperilling the Chambre Syndicale's plan to move the catwalk shows this autumn to a permanent complex under the Louvre.

In the long term the decline of the conventional collections may make it more difficult for young designers to make their names on the international scene. It could also force the established houses to spend more on conventional marketing - which could be even more expensive than fashion shows.



did not stage shows at all. The fashion show, which lasts for around 45 minutes and costs anything up to \$500,000 (£247,000), is a critical part of a designer's marketing strategy. It is not only their largest area of promotional expenditure but also replaces conventional advertising as their chief vehicle for communication with the media and their retail customers.

The cost of shows escalated in the buoyant fashion market of the 1980s. The designers were trapped in a vicious cycle of staging increasingly spectacular shows to generate media coverage so they could reach the ordinary consumer who bought their licensed products, such as Chanel No. 5 perfume and Christian Dior rights. The chief beneficiaries were the supermodels, Linda Evangelista and Claudia Schiffer, who by the late 1980s



Profits and the white-collar conscience

John Gapper looks at the Co-op bank's success

One of the most difficult problems facing British retail banks is how to attract the right customers. The explosive growth of personal bank accounts during the 1980s has gained banks many customers with unprofitable accounts. They are now trying to improve the mix by being more selective.

The customer that banks want has two characteristics: he or she holds a high balance in a current account, thus providing the bank with deposits it can re-lend, and so paying for the cost of clearing services; and he or she is likely to buy other products such as insurance.

This has led many banks to concentrate on "high net-worth" individuals, well-educated, aged 25-40, with a white-collar job paying at least £20,000 per year. The banks' marketing challenge is to devise ways of sifting out these sort of customers.

An eclectic way of doing so has been discovered by the Co-operative Bank, a small bank owned by Co-operative Wholesale Society. It has been running a £1m advertising campaign in cinemas and newspapers advertising the bank's "ethical" stance towards selecting business. The advertisements emphasise the bank does not deal with companies involved in blood sports, factory farming and the production of animal furs. It also refuses financial services to tobacco companies, cosmetics manufacturers who test products on animals and companies that pollute.

The response to the campaign has been striking. The bank's retail deposits rose by 13 per cent last year following the public launch of its stance last May. Half its new customers - among a total base of 2.8m - mentioned the ethical stance as a reason for joining the bank in its internal surveys.

The suggestion that this campaign is so neatly targeted as to be duplicitous is greeted with a twinkle of the eye by Terry Thomas, Co-operative Bank's managing director. "There is certainly a very good fit. But what bank would want to attract low income, badly-educated, ignorant people?" he says.

The idea of the Co-op having a disproportionate number of customers in the ABC1 social bracket often

provokes disbelief, because of its roots in the early socialist movement. Yet it is well-placed because it has always attracted public-sector professionals such as architects.

The campaign is intended to reinforce this market position and boost products such as the gold card which it offers to high earners.

There was internal debate about making the stance public because directors were concerned it could repel people. Thomas says it lost a few accounts from disgruntled customers. It has also faced external challenges. The Chemical Industries Association and the Cosmetics Association complained to the Advertising Standards Authority about references in advertisements to the "spewing of toxic waste" and animal testing. Both complaints were rejected.

Despite the hurdles, the campaign has been effective in appealing to a precise set of customers whom most retail banks now covet. Efforts by others to appeal to individuals with both finely tuned social consciences, and money to spend, would not come as a surprise after the Co-op's success.

Companies underestimate client loyalty, argues Lucy Kellaway

Keeping hold of the customer

Companies have long known that the customer is king, yet when a customer abandons few are aware of the reasons for it. Evidence from the US and the UK shows it can be up to five times cheaper to serve existing customers than to get new ones. Yet most businesses still put more effort into increasing the size of their market than keeping the section they have already.

According to Price Waterhouse Management Consultants, British industry loses £100m a year in sales when customers defect and a similar amount in marketing, sales and distribution expenses. In a survey of the UK's top 200 companies Price Waterhouse found that barely one in 10 keep tabs on how many customers leave them each year. Only one third provide any link in staff pay to customer satisfaction, while nearly half admit their sales forces are inadequate to meet the needs of their existing customers.

In the US, companies are keener to monitor their clients, but are still no closer to keeping them. According to Frederick Reichheld, of consultants Bain and Company, most companies' attempts are ad hoc at best.

Writing in the latest Harvard Business Review, Reichheld argues that customer loyalty should be the first building block of a business plan. Such an approach can reap handsome rewards: MBNA, a credit card company, found a 5 per cent rise in customer loyalty increased profits by 60 per cent after five years.

The first step is to find the right customers - those that are likely to stay for the long haul - and also identify the wrong ones - those that are transient or a drain on a company's resources. While it is not always easy to spot the stayers, those who come through personal referral are usually more loyal than those responding to an advertisement. Older people and home owners are more likely to stay.

For each company the target group of customers will be different; the more homogeneous

the group the easier - and cheaper - it will be to address their needs. The next step is to develop a strategy to win this type of customer. A cut-price promotion is almost certainly a waste of time, as it will invite those likely to defect. Attempts to recover defectors may also backfire if those customers are disloyal by nature.

Once it has found its target customers, a company must keep them sweet. This involves not only a dedication to quality of product and service, but also to serving evolving needs. One US company practised this "lifecycle marketing" to effect by supplying the increasingly chubby middle-aged consumers of its fattening cakes a fat-free alternative.

Companies should take care when they monitor the customers that leave. Somebody who stops buying dog food because the dog has died is not worth pursuing, while one who has switched to another brand may present a serious challenge: the company must find out why its product has been shunned.

Another way of keeping customers is to keep workers, on the grounds that long-serving employees are more in tune with what faithful customers want. This means being generous with pay, and structuring incentives so that bonuses are based on customer retention and commissions on how long the customer stays with the company. It also means choosing employees with great care: the length of time a candidate has spent with a previous employer could be as critical as their qualifications.

In the UK some of these ideas are being practised in insurance and financial sectors, where companies have long treated different sorts of customers differently. Other companies have been too keen on getting costs down to think about much else. Yet on Price Waterhouse's evidence nine out of 10 companies recognise that customer retention should be an important part of their strategy. It may be just a matter of time before they start to do something about it.

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TECHNOLOGY

Making bright ideas shine

Successful inventions are one in a million. Andrew Fisher begins a series on how to avoid the pitfalls



Innovation INVENTORS often fall in love with their ideas and find it hard to stop talking about them. But ask them what their advice would be to anyone else struck by an original idea and keen to make it commercial, and their reply tends to be: forget it.

"It takes a lot of courage, faith, and obstinacy," says James Dyson, a successful designer-inventor whose products include the Ballbarrow - a wheelbarrow with a pneumatic ball instead of a wheel - and a new vacuum cleaner using high-speed cyclone technology. "Having the idea is the easy bit," comments John Endacott, an engineer who has invented a new type of oil and water separator for offshore oil fields which has been licensed by two companies. "My advice to anyone coming up with a new invention is: think about it, enjoy thinking about it, and then throw the idea in the bin."

That is where most ideas end up anyway, since the success rate for inventions is tiny. Gazing round his spacious London office, one experienced patent expert says resignedly: "Ninety per cent of the files in this room relate to nonsense - but I don't know which ones they are in advance."

John Fisher, technical director of PA Consulting Group, agrees that invention is the easy part. "But bringing a product to commercial success is extraordinarily hard. This is a problem for big companies as well as individuals and small enterprises. In his view, "the risk associated with innovation is due much more to incorrect market evaluation than technology failure".

Although the words invention and innovation are often used to mean the same thing, there is a dividing line. An invention is an original idea or product which may or may not be developed into something people want to buy. Innovation is described by the Confederation of British Industry as "the successful exploitation of new ideas"; the definition includes not just research and technology, but also management, marketing and training.

Nor is there a simple link between scientific discovery and economic competitiveness. "We need to recognise that innovation is as much market-led as it is science-

driven," asserts Howard Newby, chairman of the Economic and Social Research Council, an independent, government-backed body.

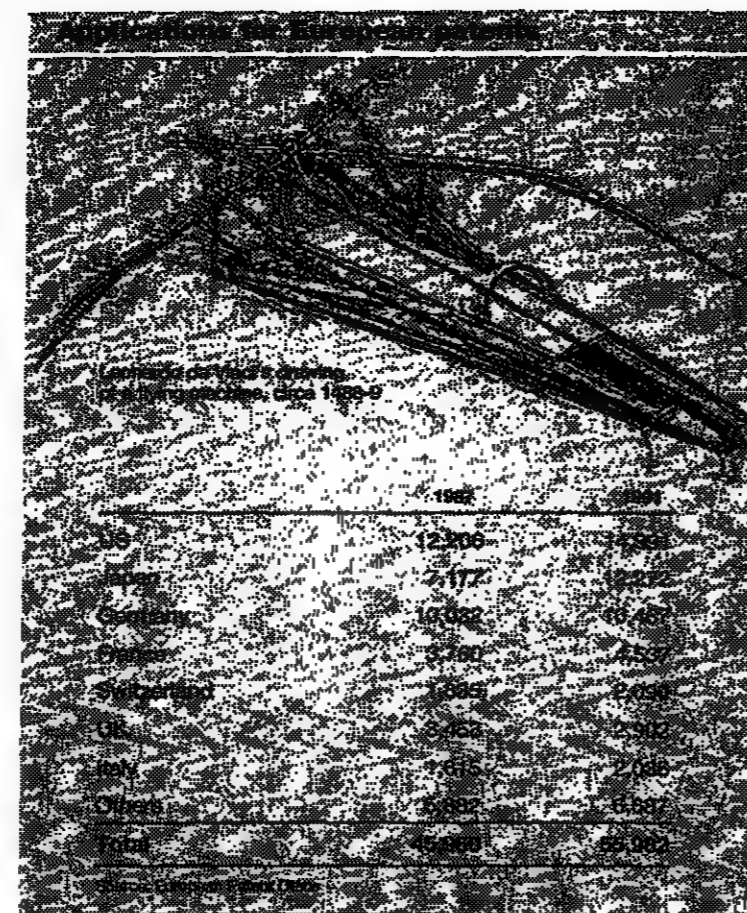
Thus the whole discussion about whether enough good ideas - from whichever end of the industrial scale they stem - reach the commercial stage applies to big as well as to small and embryonic companies. The Department of Trade and Industry and the CBI are keen to help make UK industry more innovative. A joint DTI/CBI study found that only one out of 10 British companies was truly innovative, though three in 10 performed well in many aspects of the innovative process, which it defined very widely.

Since a survey last year by CBI Research for Business Week listed no UK companies in its worldwide ranking of the top 25 by technological strength based on US patenting data - there were 11 each from Japan (including the top four) and the US, two from Germany (Siemens and Hoechst), and Philips from the Netherlands - it is clear that some form of action is required. UK companies also rank well below foreign concerns in their spending on research and development.

Apart from the DTI's intensified efforts to promote innovation, not just in technology, the government also adopted a more pro-manufacturing stance in its latest budget. But many inventors, management experts, and industrialists - whether or not they are sceptical of the government's efforts - believe there is a cultural anti-industrial bias in Britain which tends to inhibit innovation and the adoption of new ideas.

This in turn, allied with the increasing difficulty of obtaining small-scale finance, means that inventors wishing to commercialise their ideas face a minefield of problems. "The NIH (not invented here) syndrome was invented in the UK," says Paul Ambridge, a Design Council official who also chairs the Institute of Patentees and Inventors.

Apart from deciding whether to have prototypes built, take out patents at home and overseas, license their ideas to bigger com-



panies, sell shareholdings to outside investors, or simply give up when the going gets too tough or the money runs out, inventors also have to develop an understanding of the market. Many have no idea where to start and are liable to run up against a wall of indifference when approaching companies.

"The general perception of an individual inventor," says Hilary Trudeau, an innovation consultant, "is of someone with a propeller on their head who spends three hours in your office and comes up with a silly idea. Some are like that." She has set up Support for Innovation, which sets out to screen ideas so that only the best are presented to potential licensees.

This organisation is aimed at people with new technical or business ideas who need to be advised on the problems of running their own business. Licensing is probably the answer for most, she reckons. "Most people with technical skills would be hopeless at running a business."

A possible solution which combines both finance and management is the concept of "business angels" - the commercial equivalent of "theatrical angels" - whereby entrepreneurs put some of their wealth back into industry by helping new and struggling firms. This is well developed in the US, but far less so in Britain.

"This is a vast untapped source," believes Colin Mason, senior lec-

turer in economic geography at Southampton University, who has studied this type of financing. An additional benefit comes from the availability of management experience as "angels" tend to take a close interest in the operations in which they have invested.

"I'm totally convinced that 'angels' are an idea whose time has come," he adds. "They are virtually the only source of equity finance under £500,000." However, mechanisms for putting potential (or so-called virgin) angels in touch with those needing money are almost non-existent in the UK, although the DTI is funding a two-year pilot scheme to set up business introduction services.

With very little venture capital directed towards thriving new and risky high-technology ventures in these recessionary days, many inventors have to turn to their high street banks. Despite the wave of recent criticism directed at the UK clearers, however, not all inventors are dismissive of their efforts to help. But only National Westminster has a fully fledged Technology Unit, whose senior manager, Duncan Matthews, admits that "banks are technophobic".

He, too, finds the "business angel" concept an intriguing one and is looking at how Natwest could play a part in helping it develop. His experience with helping to finance technology-based companies has taught him their potential. "This is an area likely to have the most rapid growth."

Sir Clive Sinclair, pioneer of the pocket calculator, the digital watch, and the personal computer, believes the British public is receptive to new ideas, but that finance to implement them is harder to come by than abroad.

"What is not realised by so many companies is that if they don't innovate now, they've absolutely had it," he believes. His Zike electric bicycle - which looks like being more successful than the earlier C5 electric vehicle, which flopped - is being manufactured by a German-owned company, Tudor Webasto, whose chief executive, Alan Garnett, is seeking new product ideas to supplement its main business of car sunroofs.

Garnett is a firm believer in innovation as a key to economic progress and warms against the tendency to take too short term a view. "We're in danger in this country of getting into an almost survival-type culture where all corporate energy is devoted to satisfying shareholders and end-year balance sheets. We should be looking to the next generation of products."

The series continues next week by offering practical steps for getting ideas to market.

Solar energy is ideal for the remote islands, writes William Keeling

Throwing light on Indonesia

The village of Telaga Said in north Sumatra has progressed little. Last century, elephants were required to transport heavy loads to it. Today, the preferred means is a caterpillar truck.

However, Telaga Said has also been at the forefront of industrial development. In 1895, oil was discovered in the village, giving birth to the Royal Dutch/Shell Group. Three years ago R&S, a Shell affiliate, used the village to market an alternative energy source for rural communities - solar power.

About 55 per cent of Indonesia's 185m people do not have access to electricity. With the population spread over 13,000 islands the problems of supplying electricity to the remote communities are immense. Donor agencies estimate the cost of extending the grid off the main island of Java at up to \$3,000 (£2,000) per rural household and say the government's rural electrification programme is responsible for losses made by PLN, the state utility, estimated at \$300m a year.

These losses are comparable to those suffered recently by the solar industry which "has focused 95 per cent on technological development and 5 per cent on product development", explains E de Lange, general manager of R&S in Indonesia. De Lange believes the future lies in supplying single 50-100 watt panels to households. The systems, with proven reliability, can run small appliances such as lights and radios, providing an entrée for the 80 per cent of the world's population which lack access to electricity. "My long-term vision is that all households could use solar energy and the government could concentrate on commercial supply," he says. In the current Indonesian market of about 20,000 panels a year, companies are struggling to break even.

Jonathan Hall, manager of BP Solar in Indonesia, believes the market for solar energy can be divided between "high-volume single-panel systems and high-margin niche applications". He says more sophisticated multi-panel units are efficient for supplying rural hospitals, telecommunication installations and village water systems.

Companies expect both market segments to grow. With a solar home system retailing at about \$600, the government and foreign donors are taking an interest.

A \$30m World Bank loan to provide 40,000 single-panel home installations may be forthcoming, following the recent completion of an Indonesian government \$1.65m pilot scheme which supplied 3,000 homes. An even grander proposal, supported by the research and technology ministry, envisions a \$450m project supplying a total of 50MW over six years to 1m households.

But there are significant obstacles to these projects. Once dealer margins are included, the systems are barely affordable. The network of local co-operatives, through which revenue would be collected, is weak and problems of non-payment could arise. The government's project would require greater local content in the systems, which could lead to a loss of quality.

Foreign companies are willing to invest in manufacturing facilities in Indonesia but only with guaranteed advance sales. In the higher-margin bracket, BP Solar's sales include a communication system for Java's railway network. R&S is undertaking a \$10m project this year to supply 30-panel systems to a further 270 health centres.

Solar energy's long-term viability, however, cannot depend on a clutch of million-dollar, donor-financed projects. Hall and de Lange agree more emphasis must be paid on product and market development and less to technological research.

Some officials speculate the industry, in its early days dominated by significant oil conglomerates, might be better served by companies which could use the technology to broaden their market base, such as in the sale of cheap electronic appliances.

However, where such companies have a stake - Philips, the Dutch electronics company, has a holding in R&S and Siemens of Germany has a solar subsidiary - the link between solar power and product development remains weak. The real battle may be to persuade companies that those without electricity represent a market at all.

FT CONFERENCES

FT - CITY COURSE
London, 5 April - 24 May

Senior practitioners explain the financial markets of the City with presentations on the Stock Exchange, banking, insurance, pension funds and commodities markets. Also covered will be debt markets, risk management, financing, regulation and the outlook for the City. The course is held one afternoon a week for eight weeks and is structured to provide opportunities for questions and discussion.

FINANCIAL INNOVATION - NEW DIRECTIONS FOR THE 90s
London, 28 & 29 April

Arranged jointly with the Centre for the Study of Financial Innovation, this high-level meeting will review the role of innovation in financial services, assess the risks and rewards and examine future trends. Speakers include: Mr William Rhodes, Vice Chairman, Citicorp; Mr Sam Cross, Former Executive Vice President, the Federal Reserve Bank of New York; Mr John Heilmann, Chairman, Global Financial Institutions, Merrill Lynch & Co; Mr Rei Masunaga, Deputy President, Japan Center for International Finance; Mr Dennis J Keegan, Chief Executive Officer, Salomon Brothers Europe; Mr Michael Fowle, Senior UK Audit Partner, KPMG Peat Marwick; Mr John Groul, Director of Treasury, Cadbury Schweppes plc; Mr Andrew Large, Chairman, Securities and Investments Board and Mr Anthony Nelson MP, Economic Secretary, HM Treasury.

ASIAN ELECTRICITY
Singapore, 25 & 26 May

This topical conference, arranged in association with Power In Asia, brings together senior representatives from governments, utilities and the financial community to discuss the latest policy positions on privatisation in Asia; consider the financing and structuring of power projects and review future fuel choices in the region. Speakers include: Dr Piyavasthi Amranand, Deputy Secretary General, The National Energy Policy Office, Thailand; Mr K Balarama Reddi, Chairman, Andhra Pradesh State Electricity Board; Mr Daniel Ritchie, Director, Asia Technical Department, The World Bank; Mr Daniel Bettelbourg, Vice President & Member of the Board, Companhia de Electricidade de Macau and Mr Kenneth Blinning, Director of Government Relations, Rolls-Royce plc.

NORTH SEA OIL & GAS
London, 7 & 8 June

The conference will provide a review of exploration and production activity and consider the importance of North Sea assets to energy companies. The prospects and challenges facing operators and contractors in a mature sector will be discussed and the investment outlook assessed.

WORLD GOLD
Istanbul, 14 & 15 June

This annual FT event brings together authoritative contributors from South Africa, North America, Europe, Australia and the Far East to discuss the current outlook for gold and consider future market trends. Speakers include: Mr Robert Guy, N M Rothschild & Sons Limited; Dr Rüschli Saracoglu, Central Bank of the Republic of Turkey; Mr Peter A Allen, Lac Minerals Ltd; Mr Morik Aoyagi, Sumitomo Metal Mining Co., Ltd; Mrs Agnes Van den Berge, Banque Nationale de Belgique SA; Ms Jessica Jacks, Rio Tinto Management Services South Africa (Pty) Ltd and Mr David Pryde, JP Morgan.

All enquiries should be addressed to: Financial Times Conferences Organisation, 102-108 Clerkenwell Road, London EC1M 5SA. Tel: 071 814 9770 (24-hr answering service). Telex: 27347 FTCONF G. Fax: 071 873 397 53989.

PEOPLE

Brooks extends her Sotheby's empire

Diana Brooks, president and chief executive of Sotheby's North and South America, has had her empire extended after her region did somewhat better than the rest of the group in difficult conditions last year. She steps up to the specially created position of president and chief executive officer of Sotheby's, in charge of the auction house's business worldwide. Michael Ainslie, 49, remains president and chief executive of Sotheby's Holdings, the parent company of the auction, finance and real estate operations. He explained that Brooks' promotion would enable him to spend more time with major international clients and on strategic decisions, but one analyst, who commented that the real substance of Ainslie's role remained unclear, surmised that 43-year-old Brooks was now effectively chief executive.

Whereas she used to report to Ainslie alongside Roger Faxon, managing director of Sotheby's Europe, and Julian Thompson, chairman of Sotheby's Asia, Faxon and Thompson now report to her. The other parts of the group have underperformed America, and market share has been lost to Christie's, the traditionally less aggressive rival. In 1992 Sotheby's pre-tax profits fell from \$21.6m to \$6.49m. A Yale graduate with a degree in American studies, Brooks joined Sotheby's in 1979. Six years later she was made chief operating officer, before becoming president of North and South America in 1987 and chief executive officer in 1990. She has built herself a formidable reputation on both sides of the Atlantic. "Dede shoots from the hip and doesn't tend to miss," says one observer who has watched her in operation.



British Rail people hog the track

Discouraging news on the rail privatisation front yesterday as former BP boss Robert Horton named the people who will help him run Railtrack, the government-owned company due to take over ownership and control of BR's tracks.

Industry watchers had speculated that one of Horton's first actions as Railtrack's chairman-designate would be to set up a management team interposing fresh talent from the private sector among traditional railway managers. Instead, all but one of the 11 executives named yesterday are ex-BR, and the odd one out comes from the Department of Transport.

Few of the names are particularly well-known outside transport circles. Chief executive will be John Edmunds



(right), 56, formerly BR board member responsible for common services such as procurement and research. Director of major projects will be Gil Howarth, 40, who has had some prominence as managing

director of Union Railways, the BR subsidiary responsible for the Channel tunnel rail-link project. And the odd one out is commercial director David Moss, 46, a Grade III civil servant (under secretary) who led the British team in the air liberalisation talks with the US. Railtrack shrugged off criticism about the lack of private sector input. Several of the people chosen had spent most of their working lives in the private sector before going to BR, it said, and all had been chosen for their records of achievement as managers. Mysteriously, however, we have still not been told who is to become Railtrack's finance director, so perhaps there is room yet for a private sector contribution.

Sellars seizes his chance

Ian Sellars, who made it as a partner with Europe's largest law firm Clifford Chance six years ago at the age of 32, is quitting to join one of his long-standing clients, Schroder Ventures.

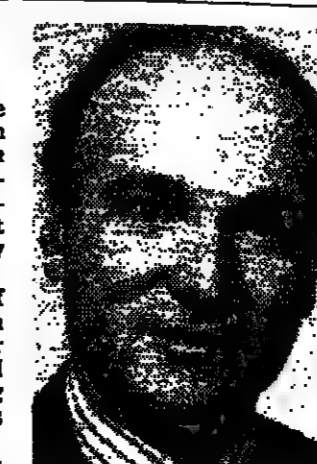
Sellars, who acknowledges the move is highly unusual, says that "being a lawyer can be quite frustrating. You are constantly near the sharp end but a lot of the really important decisions have actually been made by the time you become involved".

He will become the twelfth partner at the venture capital arm of merchant bank Schroders, which specialises in medium-sized to large buy-outs. Managing partner Jon

Moulton says that despite the recession, his outfit has seen one of its busiest 12 month periods ever. He said he expected Sellars to become "a general purpose partner - he's not coming here to keep the law library".

One of the few other cases of a law firm losing a partner in a similar move is that of Victor Blank, a partner at Clifford Turner, as it then was, moving to Charterhouse, where he is now chairman.

Linda Collier, Karen Cook, Lester Gray, John Kinsella, Paul Mullins, Vincent Oratore (joining from Linklaters & Paines), and Elizabeth Warren have been appointed directors of J Henry Schroder



Wagg & Co. Gerry Aherne is appointed a director of Schroder Investment Management, and Mark Smith a director of Schroder Capital Management International.

Robert Fleming, the UK merchant banking group, has recruited Bill Harrison to fill the new post of chief executive of investment banking.

Harrison is currently vice chairman of Lehman Brothers International, the European arm of the US investment bank owned by American Express.

At Fleming he will be in charge of the corporate finance and capital markets departments, which are responsible for advising companies on mergers and acquisitions and issues of securities. He hopes to expand Fleming's activities in these areas, since they are currently far less significant to the group than its fund management businesses.

Harrison, 44, has previously worked for the merchant bank J Henry Schroder Wagg and for the oil company Tricontrol.

Roy Moss, a director of Allied-Lyons since 1986, becomes a vice-chairman of the drinks, food and retailing group, in a further reshaping of the board and senior management structure.

Moss, 63, who takes over responsibility for group training and management development, relinquishes his position as chairman of Allied's retailing sector but remains head of the brewing and wholesaling divisions, and of the UK regional council.

Tony Hales, 44, group chief executive and chairman of spirits and wine, and food manufacturing sectors, will also head the retailing sector.

Don Marshall, 58, leaves the Allied board following the establishment of the Carlsberg-Tetley brewing joint venture where he is managing director.

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Northern Ballet Theatre

Northern Ballet Theatre is in the midst of a regional tour with a triple bill. That in itself is welcome news. For years our ballet companies have had to cajole audiences with full-length offerings, of often dubious merit but of proven appeal because of their title. The "Give them anything, but call it *Swan Lake*" syndrome is, I trust, in decline. Triple bills at Covent Garden have latterly played to excellent houses; this spring, English National Ballet will again tour mixed programmes. Ballet is being shown as something more than feathers and fairies, with Veronese lovers as the only alternative.

NBT's new programme has its own audience-lure in *A Simple Man*, which brought L.S. Lowry to the stage. Two new pieces complete the bill. I am not persuaded that the Theatre Royal, Brighton, is the right place to see dancing: slight lines are odd; the lighting on Tuesday night was curious; the orchestra is too visible; the stage cramps movement.

Both novelties are concerned with plotless dance; neither conveyed much sense of formal design to sustain incident. Graham Lustig's *D'Ensemble* demands far more space than Brighton could offer. Set to Dvorak's wild serenade, it shows five couples being radiant or dewy-eyed or bolstered, and, in these surroundings, too close to each other for comfort. It is taxing for the men, somewhat predictable for the women, and it merits a larger stage for its dances to be appreciated. Decoration is by Katie Fasset - known for his knitting designs - and proposes bright costume colours (which do not make the women's frocks any less dowdy) and a backdrop that looks like a flowery and up-market subject for a jigsaw.

Extension is choreographed by Derek Williams, much admired as a dancer with the Royal Ballet. It is said to be a "classical" work, more notable than most for its clichés. The men in such exercises strut, throw off multiple technical feats with energy if not finesse, and generally indicate that St. Vitus in their patron saint. The women are called upon to behave as if on day-release from the Reformatory. And so it proves in this exhausting and foolish item. The choreography is by Philip Feeney, that contains fascinating sonorities but much clutter in the dance's pavane foot-steps. At the back of the stage is a drop showing a version of Craigie Aitchison's *Pink Vase, Still Life*, which has nothing to do with anything else that is happening, and to which I would not like to give house-room. It is all hinged together, and during *Extension*'s too generous span I thought anxiously of Simon Stykes.

NBT's casts were devoted over and above the call of duty to their tasks. They plainly believe in what they are doing. I admire them and wish I could share their convictions.

Clement Crisp

NBT's tour is sponsored by BT, which also supports the company's touring Education Programme

In this week's newest Hollywood blockbuster, the young philosopher Ludwig Wittgenstein (Mel Gibson) is deep-frozen by Cambridge scientists for 50 years and wakes up on the morning of the 1989 Americas Cup final in Newport, Rhode Island. Reunited with his Indochinese girlfriend Catherine Deneuve, he sets out to win the famous cup, but is sidetracked by an ambition to become America's first independent film director.

"Wake up, str. You are having a nightmare!" It is my butler, holding the morning cup of tea. It was all a dream; but for film critics these dreams are becoming ever more indistinguishable from waking. Just how much damage do regular doses of twice-daily flimflam do to the brain and imagination?

First: I greatly enjoyed every film this week. Second: that is exactly the problem. The pleasure derived from Derek Jarman's *Wittgenstein* seems to me indistinguishable from that derived from Mel Gibson bawling tears and laughter in the cryogenics epic *Forever Young*, and the week's other films will implicate in due course.

Feelgood movies are feelgood movies wherever they come from. And feelgood metaphysics likewise; whether signed by a Viennese-Cambridge philosopher and enacted with bargain-basement props against a black wall (Jarman) or blown up to umpteenth-millimetre while every visualist in Hollywood undercooks the magical, time-slicing plot that kicks off in 1939. Girl meets boy, girl has coma, boy gets frozen, hello 1989, out with the handkerchiefs.

With art cinema on the retreat, and Western cinema's populist current pulling even higher criticism with it, no one today wants to work hard in front of a movie screen. "Serious" cinema, from today's *Wittgenstein* to last week's *Orlando*, has become as all-singing, all-dancing as popular cinema. If Jarman or Godard were beginning their careers in the 1980s rather than the 1960s, they would be making films like *Swedish Angst Is Fun* and *Two or Three Things I Know About Macaulay Culkin*.

Cinema/Nigel Andrews

Feelgood metaphysics

Wittgenstein is, make no mistake, enormous fun. Co-scripted by Jarman with Professor Terry Eagleton, the movie turns the life of the Austrian-born, Cambridge-naturalised philosopher into a lantern slide lecture with intervals for wacky comedy. Around Karl Johnson's sweetly stammering hero assemble, *inter alia*, Michael Gough as Bertrand Russell, Tilda Swinton whooping it up in silks and feathers as Lady Ottoline Morrell and John Gielgud snapping out the Bloomsbury one-liners as J. Maynard Keynes.

Have we omitted the green Martian who challenges Wittgenstein's theories in conversation? Or the rhinoceros under Bertrand Russell's table? Or the neo-classical garb sported by Ludwig's upper-Viennese family, whom Jarman envisions as poised forever on the starting blocks of some comic opera seria.

"Class" is a major theme, as it would be in any Eagleton script. We scream inwardly at some of the radical-propagandist hyperboles. Because Ottoline was a Lady, need she be stricken with quite such an impenetrable drawl or air of Marie Antoinette disdain? "I must send him some cocoa tablets, he sounds rather depressed," she flutes of Wittgenstein, now stuck in an Italian P-W camp writing his *Tractatus*.

But later, when our hero does a boiler suit and departs for volunteer manual labour in Russia, Jarman and Eagleton have the decency to chuckle at that too. Then Ludwig comes back in time for a bit of love (gay) and a bit of dying while history draws the curtain on a noble soul and his contribution to philosophy.

Oh his philosophy, we almost forget that. I understand from the film that it was something about the limits of language being the limits of one's world. But I had to go to my bookshelves to mug it up again properly. *Wittgenstein* is too busy being gay, skittish, highly coloured, dread-

fully enjoyable and even (Oh Hollywood on the Cam!) shamelessly tear-jerking at the close to worry too much about thoughts and ideas.

Forever Young, directed by Steve Miner from a Kleenex-intensive script by Jeffrey Abrams, carries on where Jarman's film leaves off. 1939 test pilot Mel Gibson, realising like Wittgenstein the limits of language

WITTGENSTEIN
Derek Jarman
FOREVER YOUNG (PG)
Steve Miner
THE DISTINGUISHED GENTLEMAN (15)
Jonathan Lynn
WIND (PG)
Carroll Ballard
INDOCHINE (12)
Regis Wargnier

or philosophy in the face of the unassailable (his girlfriend's coma after a street accident), has himself frozen. Cryogenics helms George Wendt sticks him in the ice tray; then he wakes in 1989 to find the US military on his tail, housewife Jamie Lee Curtis offering suburban haven and Curtis's young son Elijah Wood, who accidentally drowns him after stumbling into a military warehouse, following terror with hero-worship.

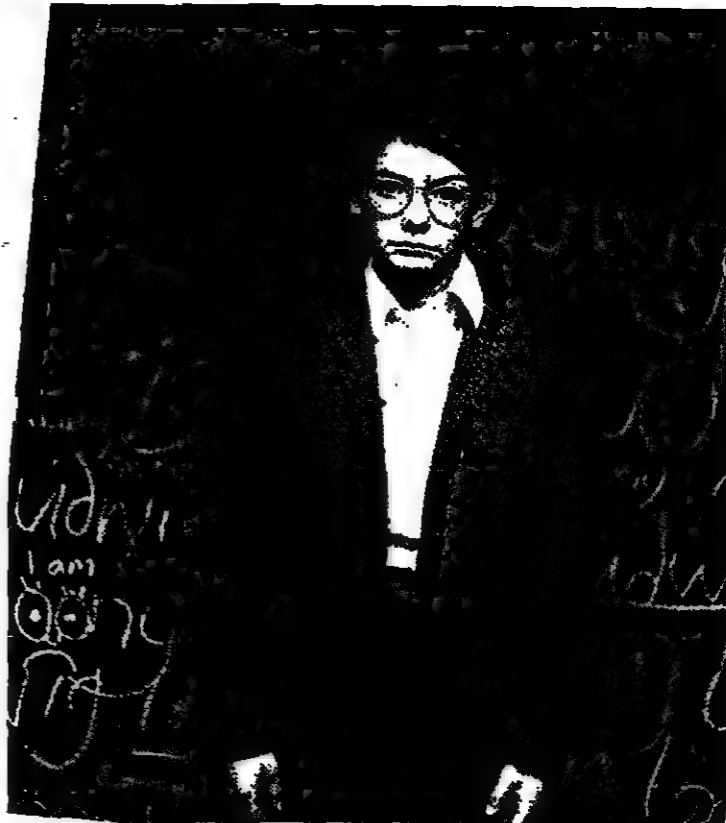
Like *Wittgenstein* - indeed like all today's pleasure principle cinema - *Forever Young* has an impatience with time and a honey-bee approach to mood. It moves about the decade, buzzing from comedy to pathos to thrills to tears. Finally it goes out in a blaze of manufactured pathos as love conquers all on a Pacific promontory. (Surely it is the same prom-

ontory where Julia Roberts loved and lost in the interchangeably-titled-and-plotted *Dying Young*?) Is *Forever Young* enjoyable? Yes, dreadfully. But in today's hedonistic cinema, what movie is not? Even the flops seem so anxious for your appreciation that you place a sparkle in your eyes in real one and find it still there at the end.

In *The Distinguished Gentleman* Eddie Murphy, Hollywood's grin on a stick, moves through Washington DC holding aloft his brand of pop-side populism. Murphy is a Florida con man who comes his way into Congress. He is soon founding bogus foundations and panhandling for honorariums. But then a little boy with cancer - yes - wrecks a Capraesque miracle and turns the scam artist into a people's hero.

The script by former Walter Mondale speechwriter Marty Kaplan is knee-deep in Washington lore but only ankle-deep in wit. And Britain's Jonathan Lynn (*Mums On The Run*) directs as if down on all fours trying to mop up every drop. The villains are somewhat dull - Capra would have given us slicker Claude Rains and/or seismic Edward Arnold - and the mandarin subplot is an embarrassment. But let us not over-carp. Murphy is there to untie his smile and flash his genius for mimicry, and I was still watching without consulting my watch as the end credits rolled.

Wind is two hours of blithe drivel about championship yachting. It should carry an environmental-friendly notice: "Beautiful scenery. Please do not deposit movie dialogue." The script by Mac Gudgeon and Rudy Wurlitzer (vacationing from the talent that gave us *Pat Garrett And Billy The Kid*) provoked uneasily giggles at the Press show. Americas Cup contender Matthew Modine spends half the film tacking to avoid lines like "Sometimes we pay too high a price for our dreams"



Clancy Chassay as the young Ludwig Wittgenstein

(yacht tycoon Cliff Robertson) or "The most important thing is finding your own wind" (himself), the other half trying to make clear runs for the action channel.

The yachting scenes are well shot by director Carroll Ballard and brilliantly "sound-designed" by Alan Splet, with booms and crunches and wind-howlings that shiver your timbers. But what price such panache on the ocean when back on shore life consists of waterlogged love plots (Jennifer Grey) and dialogue written on the back of a bimini.

But as *Wittgenstein* once said, in one of his early untranslated works, even bad art has its serenity. Regis Wargnier's much-byped *Indochine*, representing France at next week's

Foreign Film Oscars, is the very incarnation of the age of Brainiac Hedonism. Time was when we looked to the French for a cinema that was impudent (Godard), anarchic (Chabrol), mercurial (Truffaut) or experimental (Resnais, Rivette); in a word, challenging.

Today we get a 2½-hour slab of steamed-up melodrama with Catherine Deneuve doing a Bette Davis in the tropics. Empires fall; lovers betray; adopted daughters get pregnant; and when all else fails there is a battle scene or some ooh-ah horror in an opium den. If only life were as daff and colourful as the movies. But if only the movies were less daff and colourful - sometimes - and more intelligently related to real life.

Theatre

Letters Home

Sylvia Plath killed herself 30 years ago in London. She put the children to bed, blocked herself in the kitchen, and turned on the gas. She was 30. She had warned: "Never commit suicide, because something unexpected always happens. Her reputation flourished posthumously with *Ariel* (1965) and the Pulitzer prize-winning *Collected Poems* (1981).

After leaving her middle class Boston home for a scholarship at Smith in 1950, Plath wrote 700 family letters - most to her mother, Aurelia - which were gathered and published in 1981. They form a quasi-public diary, the basis for Rose Leiman Goldensberg's dramatization, *Letters Home*. It makes fine reading, potentially wonderful film, but poor theatre.

First, *Letters Home* lacks the poetry that redeemed Plath and which excused the indulgent misery. Second, the play fails to admit that other people's depressions are not intrinsically dramatic; and third, it fails to make written letters live as voices and interactions between two people on stage.

The acting is intimate and sharp, with fast cutting between Hildegard Neil as Aurelia and Daryl Black as Sylvia. Sometimes the locked jawed accent of north-east America evades them, but they conjure a community and history out of the material.



Hildegard Neil and Daryl Black

moved along by Ian Rimmington's swift direction.

However, much can be learned of Plath, the poet who kept bees. Her depression prompted her to write home frequently: of a missed date or a fall science course at Smith, of the heady meeting and marriage to Ted Hughes in Cambridge, of babies and of the coming divorce. All facets of Plath's relations were underpinned by a desire for oblivion. She had attempted suicide in 1963, and she spent the summer in therapy and undergoing electro-convulsive treatment. She returned to college to write about Fyodor Dostoyev-

sky. During a period of depression in the winter of 1962-63, Sylvia Plath produced what many consider to be her best work, putting her alongside the other great modern American writers who also suffered from depression: Robert Lowell, Anne Sexton and John Berryman. On the one hand, *Letters Home* offers nothing consolatory, and on the other, nothing to show that in Plath's case, reformation was necessary and despair criminal.

Andrew St George

Lyric Studio, Hammersmith until April 10

Concert/David Murray

Handel's Messiah

choruses "And He shall purify" and "For unto us a Child is born", unaccountably fleet, added no ballet to the larger drama. As expected, the dry Royal Opera acoustic flattened nobody; neither John Aler's stylish, nor the flexible high bass of Rodney Gilfry (though the counter-tenor James Bowman made his brief mark, and after an appealingly rustic "Pastoral Symphony" the soprano Sam Pay too - true, plain and "natural", i.e. blessedly innocent of King's College manners).

With Part II, however, the lithe strengths of Gardiner's

style began to make themselves felt. By then we had adjusted to the shimmied-down scale, and could appreciate the lush, if not the permitted. Without any dense, mournful instrumental cushion, the mezzo Catherine Robbin shaped a penetrating "He was despised and rejected"; Aler found a note of vehement regret in both of his arias, and Gilfry spelled out "Why do the nations so furiously rage together?" as a lofty moral rebuke. The Halleijah Chorus began trippingly, with none of its "traditional" heavy-duty thrust, but rose to a brighter,

sharper kind of climax.

Part III began with the soprano Sylvia McNair at her melting best in "I know that my Redeemer liveth". (But decidedly sexy, too, in the candid modern manner: could that possibly be right? With a fine period-trumpet, Gilfry swung robustly through "The trumpet shall sound". On Gardiner's reading, the orthodox plea of the closing chorus was at once tender and provisional - no Victorian, muscular-Christian dragging there, only a hopeful uplift. The whole performance was of a piece with that, humane and satisfying in its particular low-calorie way.

Sponsored by the Observer, in support of the Thomas Coram Foundation

Jazz/Garry Booth

Doing the right thing

Terence Blanchard is the buzzed sound behind most of Spike Lee's celluloid. After serving with that finest of finishing schools, Art Blakey's Jazz Messengers, Blanchard plunged into composing with scores for *School Daze* (1988), *Do The Right Thing* (1989) and most recently *Malcolm X*. During this period of concentrated writing activity, Blanchard, who is just 31, began to have problems with his own playing and for a while it looked as though he might spend the rest of his career with only his charts for company.

On the evidence of his quintet's appearance at Ronnie's this week, however, reports of his demise are greatly exaggerated. In a sombre but sometimes startling collection of seamlessly segued movements

called *The Malcolm X Jazz Suite*, Blanchard led his young quintet heroically. The original film score was written for 40 pieces but this adapted and improvised on version for quintet has a grainy texture onto which Blanchard sears his notes to dramatic effect. The air of foreboding created by the opening bass lines was transformed into an achingly cool and urban setting. The addition of Troy Davis's shimmering cymbals and Bruce Berth's plaintive chords completing the setting

In contrast to the monochromatic grandeur of *Malcolm X*, the lush and complex guitar work of Martin Taylor was most often heard in the company of Stephen Grappelli, or in a classical setting, but sounds equally comfortable spinning standards from the stage of a smoky club. Indeed so relaxed and convincing is Taylor's command of simultaneous rhythm, melody and bass that he could easily pass for a trio. Chopping or sustaining, the vocalised tone and timing is a joyous thing and his fitting in the space between two sets of *Malcolm X* make a beautifully balanced evening's entertainment.

At Ronnie Scott's until March 27

INTERNATIONAL ARTS GUIDE

ATHENS

Concert Hall Tonight and Sat: concert performance of Rigolotto. Mon: Samuel Ramey song recital. Tues: Alkis Baltas conducts New Greek Radio Orchestra in accompaniment to Eisenstein's 1927 film *October*. Next Wed: Calias commemorative concert with Athens State Orchestra and vocal soloists (722 5511).

BARCELONA

OPERA Gran Teatre del Liceu Sat, Sun, next Wed: Uwe Mund conducts Nuria Espert's production of *Carmen*, with alternating casts including Kathleen Kuhlmann and Neil Shicoff. Tomorrow: Christa Ludwig sings Mahler's *Rickert-Lieder*. Mon: Anna Tomowa-Sintow song recital (412 3532).

CONCERTS Palau de la Musica Tomorrow, Sat, Sun morning: Jiri Belohlavek conducts Barcelona City Orchestra

BOLOGNA

Teatro Comunale Tomorrow, Sun afternoon, next Wed: Roberto Abbado conducts Lamberto Puggelli's Milan production of Adriana Lecocquer, with Mirilla Mela and Peter Dvorak. Mon: London Brass (529999).

FLORENCE

Teatro Comunale Tonight, Sat, Sun afternoon: Bruno Campanella conducts final performances of the Ponnelle/Milan production of *La Cenerentola*, with alternating casts including Raul Gimenez, Claudio Desderi, Gino Quilico and Jennifer Carmo. Next Wed: first of five MaggioDanza performances of Swan Lake choreographed by Evgeny Poliakov (277 9238).

LONDON

THEATRE ● *Macbeth*: Alan Howard tackles one of the principles of Shakespearean tragedy, with Anastasia Hill as Lady Macbeth. Richard Eyre directs. Previews from tomorrow, opens next Thurs (National Olivier 071-928 2252). ● *City of Angels*: Larry Gelbart's musical, fresh from an award-winning run on Broadway,

is set in the shady world of private detectives and mysterious women in 1940s Los Angeles. In previews, tonight with on Tues (Prince of Wales 071-839 5972).

● *The Gifts of the Gorgon*: Peter Shaffer's new play, starring Judi Dench, transfers to the West End after its opening sell-out run at the Barbican (Wyndham's 071-857 1116). ● *Fires in the Mirror*: Anna Deavere Smith performs her own acclaimed one-woman show about the violent clash between African Americans and Hasidic Jews in Brooklyn 1991. Till April 3 (Royal Court 071-730 1745).

OPERADANCE

Covent Garden Tonight: Colin Davis conducts final performance of Harry Kupfer's production of *La Damnation de Faust*, with Olga Borodina, Jerry Hadley and Samuel Ramey. Tomorrow, next Mon and Wed: Claudio Abbado conducts *Armina Vitez's* new production of *Palles at Melisande*, with Frederica von Stade, Francois Le Roux and Victor Braun. Sat: Sleeping Beauty with Sylvie Guillem. Tues: Jeffrey Tate conducts new Fiedlo staging produced by Patrick Young in designs by Margit Bardy, with Josephine Barstow and Willard White. In repertory till April 15 (071-240 1068).

Coliseum ENO repertory consists of Don Pasquale (tonight and next Thurs), *The Mikado* (Sat and next Thurs) and a new Monteverdi/Bartok double bill (tomorrow, in repertory till April 7), staged by David Alden with a cast including Patricia Rosario, Gwynne Howell and Sally Burgess. April 8: revival of Pountney production of *Queen of Spades*

(071-636 3161). Sadler's Wells Rudra Béjart Laurence opens a 10-day season tonight with on Tues (Prince of Wales 071-839 5972). ● *The Gifts of the Gorgon*: Peter Shaffer's new play, starring Judi Dench, transfers to the West End after its opening sell-out run at the Barbican (Wyndham's 071-857 1116). ● *Fires in the Mirror*: Anna Deavere Smith performs her own acclaimed one-woman show about the violent clash between African Americans and Hasidic Jews in Brooklyn 1991. Till April 3 (Royal Court 071-730 1745).

CONCERTS

South Bank Centre Tonight: Michael Schoenwandt conducts Philharmonia Orchestra in works by Britwistle, Schumann and Sibelius, with piano soloist Alfred Brendel. Tomorrow: Takuo Yuasa conducts LPO in works by Bach, Ravel and Bartok. Sat: Simon Pattle conducts CBSO and Chorus in works by Schoenberg, Stravinsky and Janacek. Sun: Claudio Abbado and Mark Wigglesworth conduct ECHO in works by Beethoven and Shostakovich, with pianist Evgeny Kissin. Tues: Franz Welser-Mödt conducts LPO, with soprano Hildegard Behrens. Next Wed: John Eliot Gardiner conducts Philharmonia in Beethoven and Elgar, with piano soloist Maria Joao Pires (071-528 8800). Barbican Tonight and Sun: Valery Gergiev conducts LSO, with Yuri Bashmet soloist in Bartok's *Viola Concerto* (tonight) and Walton's *Viola Concerto* (Sun). Bashmet also gives a recital next Thurs. Tomorrow: Paul Dargatzidis conducts RPO in Mozart and Mahler, with soprano Joan Rodgers. Sat: ECO Mozart programme. Next Tues and Fri: Paolo Berglund conducts RPO in works by Franck, Grieg and Haydn (071-638 8891).

MADRID

Teatro Lirico La Zarzuela Tonight:

Theo Alcantara conducts first night of Luis Pasquel's production of Puccini's *Tritico*, with a cast including Pina Borekova, Alberto Finelli and Luis Lima. Repeated on Sat, next Mon, Wed and Fri (429 8225).

Auditorio Nacional de Musica Tonight: Trio Venderer de Michingan plays chamber music by Mozart, Brahms, Beethoven, Peter Schumann and Menotti. Tomorrow, Sat, Sun: Aldo Ciccoconi conducts Spanish National Orchestra and Chorus in works by Turina, Schoenberg and Beethoven. Tues: Madrid Classical Orchestra plays works by Mozart and Schubert. April 1, 2, 3: Kurt Masur conducts New York Philharmonic Orchestra (837 0100).

MILAN

Teatro alla Scala Mon: Wolfgang Sawallisch conducts Orchestra of La Scala. April 1: Riccardo Muti conducts first night of Franco Zeffirelli's new production of *Pagliaccio* (with Pavarotti and Hovonevsky), paired with Balanchine production of *The Fairy Kiss* (7200 3744).

PRAGUE

● Pavel Erat gives a recital of Czech violin songs on Sat afternoon at Lobkoviczy Palace. Sun in Smetana Hall: Martin Turemovsky, Petr Altichter and Prague Symphony Orchestra take part in an evening of popular music. Next Wed: Altichter conducts Berlioz's *Romeo et Juliette* (232 2501). ● Estates Theatre has

performances of Don Giovanni tomorrow, Mon and next Tues (228658). National Theatre has La forza del destino next Tues (205364).

● Prague State Opera has La traviata tonight, Il trovatore tomorrow and Tues, Così fan tutte on Sat and Un ballo in maschera on Sun and next Wed (265353). ● For pre-booking and information about these and other events, contact city centre ticket agencies (Gusta, Wenceslas Square 28 in the passage, tel 261602, or Schenka, Na Příkopě 16, tel 228738, or Melanich, Wenceslas Square 38 in the passage, tel 228714) and theatre box offices.

ROME

Teatro Olimpico Tonight: Fone and Di Fiesole Quartets play works by Mozart, Tchaikovsky and Mendelssohn. Next Thurs: John Pools conducts Groupe Vocal de France (823 4890). Teatro dell'Opera Tonight, tomorrow, Sat, Sun: Ballet of the Teatro dell'Opera in Roland Petit's *Proust*. Mon: Montserrat Caballé song recital. The programme is subject to cancellation or change at short notice (481 7003).

TURIN

Teatro Regio Tomorrow, Sun afternoon, next Tues, Thurs, Fri and Sun: Alfred Eschwe conducts Jerome Savary's Geneva production of *Die Fledermaus*, with alternating casts including Patrick Rafferty, Sona Ghazarian and Trudelesse Schmidt (8815 214).

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Dark descent to a political minefield

John Major must have been grateful for the brief respite offered by the journey home from Birmingham to Great Stukeley. Behind him was a difficult, one-day European summit and the toughest week of his premiership; worse was to come.

Four days after last October's EC gathering, called in the wake of Britain's forced exit from the European exchange rate mechanism, British Coal had sent shock waves through the coalfields. Thirty-one out of 50 pits had to be shut, some in days and all in six months. More than 30,000 miners faced compulsory redundancy; another 120,000 jobs in supplier industries could go.

Neil Clarke, recruited as chairman of British Coal to mastermind the "ultimate privatisation", expressed regret. Michael Heseltine, the trade and industry secretary, tried to soothe the pain with a film aid package extended from the unwilling Treasury. Major was sorry for the miner's "anguish", but the commercial argument was compelling and irrevocable.

Within 48 hours, ministers would be facing defeat at the hands of their backbenchers. Two years earlier, the government's privatisation of an electricity supply industry, which takes 80 per cent of British Coal's output, had sown the seeds of the dilemma. Subsidised coal markets and the demise of a rigged market were supposed to end in March 1993 when the generators, PowerGen and National Power, would be free to buy where they wished and to strike new British Coal contracts.

Last autumn, complex legislation to privatise British Coal was already being prepared, with a sale due this summer. It was widely accepted that the 65m tonnes of coal bought by the generators in the year ending next week would fall to about 40m tonnes in 1994, and later to 30m. Prices and contract periods, however, remained unresolved. A jobs shake-out was inevitable.

Heseltine wanted to lock all the parties in a room and "bang heads" until agreement was reached. But in the words of one DTI minister: "We couldn't do an old-style, ministerial fix. We explored all the avenues. But it was like going down a one-way street and continually turning off into blind alleyways."

As contract negotiations stretched into late summer, the DTI and Treasury stepped up equally slow-moving talks with British Coal aimed at replacing miners' redundancy terms. The company convinced Heseltine a fair package would limit the damage. It told ministers: "If you sugar the pill, we will deliver the goods." But the pill

As the UK government finalises its plan for coal, Michael Cassell examines the explosive events of the past six months

remained unpalatable. In mid-September, Mr Arthur Scargill, president of the National Union of Mineworkers, leaked a ministerial letter listing 30 doomed pits. Heseltine admitted further closures were coming but battled for pay-offs matching the old terms.

A Coal Board insider recalls: "The Treasury was utterly predictable. It was reluctant to match the old redundancy terms. We became embroiled in an intellectual argument over why miners should get preferential redundancy terms to any private-sector employees."

A colleague of Heseltine adds: "If the Treasury had not been so bloody-minded, we could have bitten the bullet earlier and 10 pits could have gone in the summer."

The prime minister intervened. Heseltine got an average £25,000 a man, less than British Coal wanted. On October 2, he and Tim Eggar, his energy minister, reported to a prime minister preoccupied with preparations for the following week's party conference. A closure announcement had to go ahead. "A day, as it was entered in the diaries of British Coal executives, was Tuesday October 13. Until the day before, the company would not tell Heseltine which pits were to close."

"We refused to tell him. We knew from bitter experience that the government machine leaked like a sieve and we did not want to pile on the agony at the coalfields," a British Coal manager recalls.

On October 13, Heseltine and Clarke met to make final preparations for the announcement. The next day, Clarke called in the press while Heseltine made his own announcement: "It was a stupid mistake," says a close friend.

"It took the best of Clarke and left Michael looking like the bad guy, instead of the white knight riding to the rescue with £1bn. But he wanted to face it head on."

The details provoked an immediate storm. According to a British Coal executive: "People in the industry were prepared for the worst. It was the wider backlash which caught everyone out."

Backbench Tory MPs were as

angry as the general public at the scale and immediacy of the plan. MPs were hit by an avalanche of protest letters. "They were proper letters, type-written, correctly spelt and predominantly from natural Tories," says one MP.

For a day or two, ministers thought they could ride it out. At a party in 13 Downing Street to celebrate the 40th birthday of Gus O'Donnell, the prime minister's press secretary, one minister said the storm would quickly abate. A minister involved in seeking a solution to British Coal's dilemma recalls: "We were already in a sea of troubles and failed to foresee the chemical reaction which the closures would set off."

Any hope the row would be short-lived was quickly dispelled by Sir Marcus Fox, chairman of the influential 1992 backbench committee of Tory MPs. Sir Marcus pronounced the terms "unacceptable" and his colleagues "incensed". Scargill suddenly found Mr Winston Churchill, the Tory MP for Davy-hulme and Sir Winston's grandson, among his champions.

Downing Street was forced repeatedly to amend its version of events. Gillian Shephard, the employment secretary, though informed of the plans, was not told about the Heseltine press conference. She was furious. A cabinet colleague remarked: "We had all taken our eye off the ball. It was a cock-up."

Afterwards, at a Carlton Club lunch with the executive of the 1992 committee, the prime minister indicated that although 10 pits would have to go, the remaining 21 would be looked at again. The peace offering was not sufficient. One committee member said afterwards: "I am still loyal to John Major. I hope he survives, but he won't if he continues in this way."

An hour later in the Commons, Heseltine said there would be a temporary reprieve for some pits but no further, detailed review. Any changes would be "at the margin".

Next morning, he faced his own, angry backbenchers in committee room 14 of the Commons. A show of hands went against him, forcing

him to accept the need



for a change in tactics. The blow had to be softened. He went straight into session with officials. Callers were told he was "locked away".

The next morning, Monday October 19, Downing Street admitted ministers had been "so close to the detail" of the closure decision they had failed to assess its impact. Major summoned an emergency cabinet meeting to look at a change in tactics. A cabinet colleague remarked: "We had all taken our eye off the ball. It was a cock-up."

Afterwards, at a Carlton Club lunch with the executive of the 1992 committee, the prime minister indicated that although 10 pits would have to go, the remaining 21 would be looked at again. The peace offering was not sufficient. One committee member said afterwards: "I am still loyal to John Major. I hope he survives, but he won't if he continues in this way."

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from him assurances that he would take a broader look at the fuel market for generating electricity. An MP present reflected: "We put him through the mangle."

Hours later, Lord Wakeham, former energy secretary and chairman of the ad hoc cabinet committee on coal, told the Lords there would be a wide-ranging review to ensure the coal market had been correctly assessed. Major confirmed the new approach in the Commons and welcomed a trade and industry committee decision to hold its own inquiry into energy strategy.

On October 21, Trafalgar Day, as 40,000 miners marched through London, Heseltine paced the Commons, homing in on waverers who could help defeat the government in that day's Labour-organised debate. Nobody was spared. One sceptic remarked: "What can you say when you have a shopping list of 12 items and you're offered 14?"

A bravura Commons performance from Heseltine won the day and a majority of 15. A few days later, he announced there would be a white paper on UK energy policy, a tactic which provided a vital breathing space. But as advice and opinions poured in, another blow landed.

Four days before Christmas, Lord Justice Giddens declared the closure decision unlawful and demanding a review procedure involving an element of independent scrutiny. A humiliated Heseltine admitted the government had "got it wrong".

By January 19, he was running into fierce, internal opposition to his compromise proposals, entailing a subsidy of about £10 a tonne, clearly identified to consumers as the cost to be paid for public concern. A supporter summed up the plan: "It was about paying for your conscience."

At a cabinet committee meeting, Heseltine found himself confronting an alliance of ministers - including Michael Howard, the environment secretary, Kenneth Clarke, the home secretary, Norman Lamont, the chancellor, and Gillian Shephard - threatening to block the plan unless subsidies were short-term and rapidly reduced.

Howard, with the support of Clarke, had tabled an alternative strategy. He argued that, if some pits were to be kept open, the decision should be based on economic, rather than economic, reasons. The government would tell the Commons that, on social

grounds, it would pay time-limited subsidies to individual pits.

But the idea soon hit trouble, with ministers unable to devise criteria under which individual collieries could be kept open. The plan was rejected. Friends of Shephard and Howard continued to brief the press against Heseltine for his handling of the affair. As the prime minister left for India on a trade mission, irritated Downing Street sources complained: "It doesn't do anyone any good to brief against their colleagues."

By the end of January, Heseltine won further support in reports from independent consultants which backed the government's grim prognosis for coal. Wakeham's cabinet committee was by now concluding that additional coal purchases by the generators would have to be subsidised.

The Commons trade and industry select committee, however, contrived a classic political compromise, suggesting more than half the threatened pits could be saved if the market for coal was increased over five years at a cost of about £500m.

Its report left Heseltine and his colleagues to calculate how far they had to go to stave off the threat of defeat. One minister claims: "Sensible analysis immediately became a pathetic, political numbers game."

As Heseltine struggled to find a formula, he became embroiled in a row over the generators over how much coal they would take. John Baker, National Power chief executive, told him they were being invited to "dig our own grave... to solve your coal problem."

Some ministers revelled in the discomfort of a man toppled from his party pedestal: "Junior Thatcherite ministers think it has all been wonderful," says a Heseltine ally. Stories suggesting he is fed up, disenchanted and even seriously ill have flourished in Westminster.

"All rubbish," says a friend. "Michael admits the coal business has been the most frustrating and intractable problem he has ever faced. He is frustrated that the affair has swallowed so much of his time. But that is it."

With his "final offer" now about to be disclosed, Heseltine may look back for a moment or two on the affair. He does not seek to lay most of the blame on British Coal and Neil Clarke, though he is not overly impressed with the company's behaviour. In any case, the fate of the industry and those who serve it should soon be a matter for new owners. He may be forgiven for praying "not a moment too soon".

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Competitive pricing

From Mr P S Leigh

Sir, In your story, "OFF life insurance proposals" (March 19) it is stated that the Office of Fair Trading said life companies should be obliged to allow low-cost sales outlets, such as building societies, to price their products more cheaply than other higher cost agents.

Perhaps the OFF should have looked at what has happened to house and contents insurance, which is nearly always far more expensive if taken out through building societies than if arranged through a local insurance broker. Presumably the OFF considers the latter to be a higher cost agent.

P S Leigh
BALPA Financial Services,
81 New Road,
Hayes, Middlesex UB8 8BG

Senior loans

From Mr John Remondou

Sir, So Barclays has now instituted a new procedure for approving big corporate loans ("Barclays' new loan procedures" March 23). Under this new procedure there will always be one senior executive who takes personal responsibility for the loan. For the benefit of those who, perhaps, like myself are not too sure about the way the old procedure worked, how many executives used to be responsible for such loans; none or more than one?

John Remondou,
The Firs,
Maddingley Heath,
Cress, Cheshire CW9 5LQ

Filled with delight at the demise of the Taurus system

From W H Powell

Sir, Am I the only one to be filled with delight at the demise of the computerised Taurus share registration system?

For a merchant banker whose idea of a long-term investment is about two weeks, the present system might seem a bit slow, but I cherish my share certificates. They assure me that I really do own shares. How would I ever persuade a computer that it had got my holding wrong? And would it ever tell me it had made a mistake?

The great British public has

Japan cautious about economic logic of G7 aid for Russia

From Mr Masaki Omura

Sir, I think the recent criticism of the Japanese government's inaction regarding the G7 assistance for Russia is misguided. Contrary to these critical assertions, neither the principle of the northern territorial issue nor a lack of understanding of the impact of a Russian collapse constitute the main reason for Japan's careful attitude. The key issue is the workability and desirability of a hasty reaction by the G7.

In the past there has been a common understanding among the G7 countries that western financial assistance will only work with the appropriate domestic economic policy and the development of the institutions necessary for a market economy. Only a small portion of the \$40m committed by the G7 has been used, mainly because these preconditions have not emerged in Russia. I do not see any reason why financial assistance should suddenly begin to work now

without these preconditions.

It may be argued that an urgent decision is necessitated by the political considerations. However, it would be quite naive to expect a politically motivated action without an economic result to be of substantial help to President Yeltsin in the current crisis. Given that the battle between the president and the parliament is purely a power struggle, a G7 commitment will not weaken the attack by the parliament. Nor will it strengthen public support for the president until it leads to an improvement in the economic situation.

It will certainly be necessary to re-examine the economic reform strategy in Russia. In fact, from the beginning Japan has been the least enthusiastic country in advocating that market forces alone, without due consideration of the social reality, can achieve a successful transformation. However, a rethinking of this issue should focus on the long-term rather

than on short-term political considerations.

Nobody can deny the seriousness of the current Russian situation. But one has to recognise what we can do and what we cannot. Your editorial, "The choice over Russia" (March 17), argued that we should go ahead, despite the fact that there is no guarantee of workability. However, a G7 commitment which disregards economic logic will at best be unlikely to work, and at worst create unrealistic expectations and so be unproductive. This would be nothing but a panic reaction, and as such the G7 countries, in their self-appointed role as world leaders, have a basic responsibility to avoid it.

Masaki Omura,
chief representative,
Japan Centre for International Finance,
Bracken House (5th floor),
One Friday Street,
London EC4M 8JA

Duty could pay for equity settlement system

From Mr Jeremy Archer

Sir, You suggest ("After Taurus, City lessons", March 23) that an equity market settlement system may not be a public good worthy of state attention, while previously saying the state is the only institution capable of overcoming the "free rider" problem.

According to the chancellor, the state will be raising about £1bn during the 1993-94 finan-

cial year from stamp duty payable on the purchase of securities. This tax is paid by those who use the settlement system. The same groups would benefit from further investment in that system. Where is the conflict with the doctrine of "public good" if this class of stamp duty were to be retained for just one more year, and the money raised thereby spent by the state on a new equity mar-

ket settlement system?

Despite the Treasury's traditional reluctance to link fund-raising and spending, there can seldom have been such a clear-cut case for making an exception - particularly in the light of the recent fiasco and its potential implications for London as a financial centre.

Jeremy Archer,
100 Haldon Road,
London SW18 1QQ

their funds by the similar

device of unequal bid and offer prices. In both cases the added stability makes for a more considered and longer-term approach to management.

I am far from convinced that an "efficient" stock market works to the good of industry. During their spectacular post-war growth traded volumes in Germany and Japan's stock markets were too low for them to qualify.

From the point of view of industry the stock market's significance lies in its willingness to absorb new share flotations and rights issues that can

provide new capital. Trading on the other hand only provides an indication of the terms on which it might be raised. As far as I can see Taurus would have helped trading but done nothing to help provide new industrial investment. Yet it is that investment that is needed.

You may be surprised to hear that this contrary view comes to you from a chartered electronics engineer who works with computers daily.

W H Powell,
5 Mill Race View,
Atherstone,
Warwickshire CV9 3AR

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Thursday March 25 1993

Unrest on the Belgian front

SPECULATIVE furries surrounding the Belgian franc rarely give rise to more than a flutter on foreign exchange markets. Underlying Belgium's apparent credentials as a member of the "hard core" of the European Monetary System, since 1990 the Belgian National Bank has kept the franc within a narrow 0.25 per cent point fluctuation margin against the D-Mark.

Now, however, the illusion that the Belgian franc is simply a north-western appendage of the German currency has been shattered. Pressure on the franc forced the Belgian central bank to raise interest rates yesterday for the second time in six weeks. The outbreak of Belgian monetary hostilities does not represent an isolated incident. Belgium's travails illustrate problems at the heart of the Maastricht programme for European convergence.

The proximate cause of the difficulties is a budgetary squabble. Belgium's public-sector debt exceeds 130 per cent of gross domestic product. This is more than double the Maastricht target of 60 per cent - one of the conditions set to determine EC members' suitability for economic and monetary union (EMU). Interest payments were nearly twice last year's public-sector deficit of 6.8 per cent of GDP, itself well in excess of the 3 per cent Maastricht target.

Pleading the need to stick to the EMU path, Mr Jean-Luc Dehaene,

the Belgian prime minister, has proposed 1993 tax rises and spending cuts equivalent to 1.6 per cent of GDP. After his coalition failed to agree, Mr Dehaene offered his government's resignation, though this may be essentially a ploy to concentrate coalition party minds.

Another reason for nervousness lies in uncertainty caused by parliamentary agreement last month to transform Belgium into a federal state. Fears that Belgium could disintegrate into two entities - Flemish-speaking Flanders and francophone Wallonia - may be overdone. Yet the accord has prompted some anxiety about the risks of an eventual north-south split over debt repayments. At the very least, regional factionalism could hamper the drive for budgetary solutions.

Belgium is trapped between two unattractive policy options. Monetary tightening - in particular higher long-term interest rates - will in the short run set back efforts to approach the Maastricht targets. The economy seems likely to contract in 1993, putting upward pressure on public deficits. In view of close trade ties with Germany, a dash for growth through devaluation would spur inflation.

Belgium has little choice but to keep taking the medicine. Yet if the general chances of attaining EMU come to appear increasingly remote, the painful policies Belgium is following will command ever diminishing public support.

Ways and means

THE GOVERNMENT'S go-ahead for a £2.5bn rail link between London and the Channel tunnel is a welcome commitment to a long-delayed and badly needed project. Commitments, however, do not build railway lines - that takes money and shovels, and so far neither are much in evidence.

Against this background, it is perhaps worth asking exactly what the rail-link commitment amounts to. First, the government has committed itself to a route. Second, it has committed itself to introducing legislation which will permit the line's construction. And third, it has committed itself to seeing the project go forward as a joint venture between public and private sectors, with the government "prepared in principle to provide substantial public-sector support".

What is missing from this list, of course, is any promise that the rail link will actually be built. The government cannot make such a promise because it still does not know who is going to build the line or how it is to be funded.

The hope must be that the chancellor's recently stated enthusiasm for encouraging private-sector participation in the funding of infrastructure projects is about to bear fruit. After amiable discussions between the private sector and the Treasury, the two will supposedly agree a funding package that allows the private sector to make a good profit while simultaneously ensuring value for money for the taxpayer.

Yet this kind of optimism suggests a triumph of hope over experience.

reience. The objectives of public and private sector in any joint venture are clearly in potential conflict, because the point at which the private sector begins to make money is the point at which the Treasury begins to feel cheated. Hence, at the government's last attempt to get the Channel tunnel rail link built through joint funding, the government contribution demanded by the private sector proved to be so large that the government tore up the proposal in horror. And even where public and private sectors do find it possible to agree on the principles of a funding package, there can be severe difficulties in translating the agreement into cash. Witness, for example, the long delays in getting the private sector to deliver its promised contribution to the £1.5bn Jubilee Line extension.

Perhaps it will all be different this time. Certainly, the government's commitment to joint funding sounds stronger than ever. Certainly, the government's plans for developing the east Thames corridor add a new imperative. But with each new go-ahead for transport projects that never materialise, the British public grows wearier and more cynical about the prospects that any of them will happen. The government stands to be judged on whether this latest private funding initiative has real substance, or whether it is just the latest in a long line of excuses for procrastinating over vital improvements to the nation's inadequate transport infrastructure.

The Bank's role

BACK to basics has been the slogan of countless companies after the conglomerate excesses of the past three decades. The idea appears now to have penetrated the rarefied world of central banking. Yesterday Mr Brian Quinn, an executive director of the Bank of England, warned that there was a growing mismatch between the ever-wider range of services provided by commercial banks, and the allocation of responsibilities among watchdogs. Consumer protection in the wider financial services area was not, he argued, the right role for a central bank and he added, in a characteristic piece of central banker understatement, that there was "a question whether the current arrangements may not, at some point, have to be considered".

A clear re-statement of the Bank's role in prudential supervision is undoubtedly welcome, after the debacle of Bank of Credit and Commerce International. But whether the narrowness with which the Bank defines its remit can be reconciled with market reality is a moot point. Mr Quinn chooses to make a distinction between supervision, which is one of the means by which central bankers head off risks to the banking system as a whole, and regulation, which he sees as being about rules covering activities, products and services available to investors and policyholders. Yet in practice, the distinction is often blurred.

After the implementation of monetary policy, the chief role of the Bank is the protection of depositors in the interests of the

stability of the system. Mr Quinn puts a traditional case for the activity of prudential supervision being tied to the central bank acting as a lender of last resort to individual institutions. And, without being specific to the point of raising questions of moral hazard, he sets out unexceptionable criteria for such last resort lending operations.

The difficulty arises over the erosion of boundaries between different financial products. Savings products such as Tessa are both a deposit and an investment. Even where banking products are not closely related to deposits, any loss of confidence in them could still lead to cross-infection, as Mr Quinn himself acknowledges.

The fact is that convergence in financial services is very different from conglomeration in industry. It is rooted in market logic and, in some cases, genuine product synergy. As commercial banks have lost their corporate clients to the investment bankers, a purist definition of the lender-of-last-resort function which confines itself to commercial banking also becomes unrealistic, as the stock market crash of 1987 demonstrated. In order to restrain the moral hazard implicit in deposit insurance and last-resort lending, there is a powerful case for creating a separate category of heavily insured low-risk, low-return deposit taking institutions. But even then, uninsured institutions could still pose systemic threats. One suspects that the Bank of England, regardless of its formal responsibilities, would still end up taking the flak.

Turning points have so often been diagnosed in the world economy that any suggestion of a new one must be made very tentatively. Yet a glance at the charts in this article suggests that one may have arrived; and the thought is reinforced by two disquieting themes which have emerged from the UK Budget.

One is the pessimistic Treasury projection of a widening gap between actual output and productive potential, despite the so-called recovery. This has abysmal implications for unemployment, despite last month's peak good figures.

The second theme is that a yawning Budget deficit is still in prospect even after the chancellor's tax increases. The two themes together lead to a dilemma which is brought out most starkly by the more pessimistic projection provided by the Treasury as an alternative to its central assumption. This shows that, with a growth rate only 1/2 per cent a year below the central path, the public sector borrowing requirement would remain in 1997-98 - one year or more after the next election - nearly twice the Maastricht limit.

This is probably too pessimistic. But if the British government were faced with this prospect, should there be fierce curbs on public spending and more tax increases which might make low growth even worse? Or should the deficit be allowed to run or even increase, despite galloping debt interest, which by the late 1990s is expected to exceed £30bn and account for almost all the projected deficit?

There has been a near-silence on this dilemma since I posed it last week. For no one has yet satisfactorily resolved whether Budgets are primarily exercises in government housekeeping or whether they have a wider role in balancing the economy, which might make it legitimate to deliberately budget for a deficit. A longer and international perspective might help.

The background to the revival of sound money orthodoxies in the 1980s was the experience of the later 1960s and the 1970s. By then the attempts of governments to spend their way into full employment objectives led to increasingly rapid inflation, without any discernible benefits for unemployment which soared from one business cycle to the next. The end of the Bretton Woods system, and the first oil-price explosion following the Yom Kippur war of 1973, signalled the end of the postwar golden age. Subsequently, stagflation - high unemployment combined with high inflation - dominated the scene.

The ground was thus prepared for the counter-revolution which declared that Budgets should be balanced, or nearly so, at least over an economic cycle, and that monetary policy should be given the task of trying to avoid both inflationary and deflationary shocks. Growth and jobs were then left to supply-side policies - often a euphemism for lower and more flexible wages and weaker unions.

A fresh bout of rethinking may now, however, be required. For we are no longer in a world where each successive cycle takes inflation to new heights. The inflationary peak of 1980 was well below the peaks of 1974 and 1980. On the contrary, inflation now seems to be declining steeply from one cycle to the next.

The application of the monetary brakes required to deal with the much more moderate inflationary upsurge of the late 1980s has nevertheless led to a severe increase in unemployment. It will not be surprising if it goes higher than in previous cycles, especially in Europe.

It is thus at least worth considering whether we may be approaching a period of secular demand deficiency - by which I mean a period when output and employment are held down by an inadequate level of private and public spending. The Keynesians who cried "woe" so often in the postwar decades may eventually come into their own.

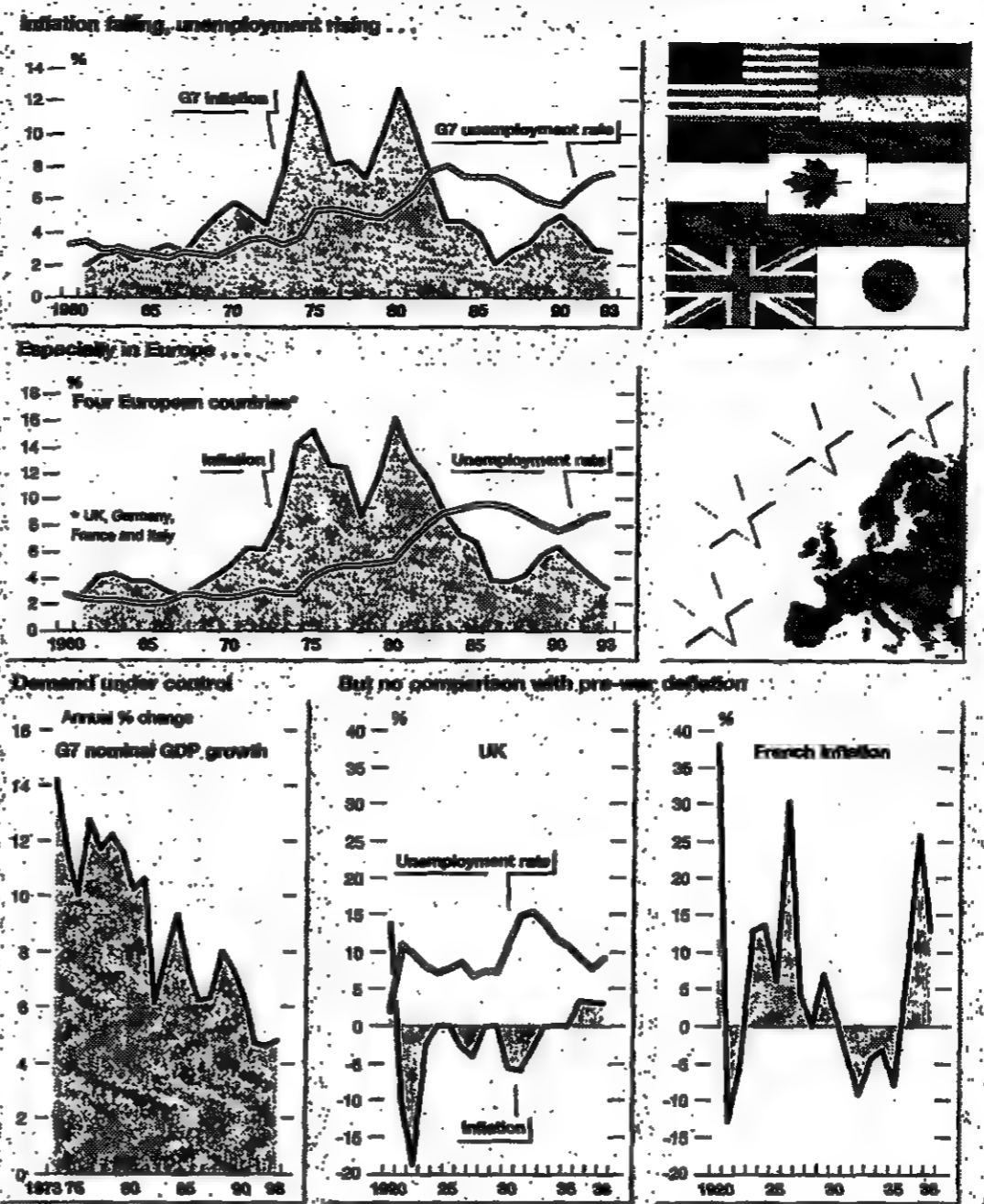
It is vital not to exaggerate. The increase in total spending in the Group of Seven countries, measured by nominal GDP (which is also equivalent to inflation plus real

ECONOMIC VIEWPOINT

Tide turns in the world economy

By Samuel Brittan

Worldwide movements in prices and unemployment



growth) has never fallen below 4% per cent per annum in the recession of the 1980s - admittedly further than it did in the 1930s, when it never went below 6 per cent. But this is still a complete contrast to the 1930s when prices fell by double digit amounts in the US and Germany, and even in the UK prices dropped by an average of nearly 5 per cent for three years running. Indeed, it is ludicrous for enemies

of the *franc fort* policy, under which French inflation has fallen to 3 per cent, to compare its tribulations with the prewar period when France remained too long in the gold bloc. In that period French prices fell for five years in a row. Nevertheless it is just possible that the macroeconomic environment may become an obstacle to employment in its own right.

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In any case, it is quite likely that ingrained habits and institutions are such that attempts to reduce inflation literally to zero run into a strong resistance barrier and thus have an effect on output and employment similar to that arising from outright deflation between the wars. With consumer price inflation in the G7 countries now averaging just less than 3 per cent a year the world is not far from reasonable price stability.

If inflation remains low or negligible over the next few cycles, but unemployment continues to creep up and output to stay well below potential, it will not be good enough just to parrot the slogans of the 1980s. How then should we respond to a problem of medium-term demand deficiency if it occurs?

I have just finished reading the second volume of Robert Skidelsky's Keynes biography, *The Economist as Saviour*, covering the 1920s and 1930s. I am still unable to compete in saying what Keynes really meant or should have meant. But some features hit me in the face. Keynes's most frequent theme was the need for low interest rates to prevent demand deficiency from occurring. He was acutely aware that interest rates were a highly

OBSERVER

psychological phenomenon and he was always sensitive to anything which would give an unnecessary upward push to market ideas of the normal rates. For instance, he argued in 1937 that the main part of the cost of prewar rearmament should be met out of taxation. For he was very anxious not to use interest rates as a brake on demand. "If we allow the rate of interest to be affected," he

Farming out

Meanwhile, long-suffering watchers of the Gatt round may be heartened by the latest reshuffle of Chancellor Helmut Kohl's agricultural team. Franz-Josef Feiter, the chancellor's adviser on agriculture, has moved over to the Agriculture Ministry to become the new state secretary there. His responsibility as the chancellor's leading adviser on the Gatt trade negotiations now falls to his colleague Johannes Ludwig, head of the economics department. Given Ludwig's greater interest in free trade, and lesser interest in protecting agriculture, this could be bad news for France's rear-guard action to resist a compromise on farm trade in the Gatt. Watch this space.

Dust flying

Has dirty work entered the contest between British Gas, the monopoly household supplier, and ambitious newcomer Alliance Gas?

tries to reduce interest rates too far on their own can all too easily lead to continuing depreciation and high rates of inflation without any offsetting benefit to jobs. This is in contrast to the 1930s when the presence of outright deflation drew the sting from currency depreciation.

Today, it is only in the context of a stabilisation programme for a large group of countries, such as the G7, that the low interest rate route is feasible. The main obstacle to its achievement is the Bundesbank's desire to reduce interest rates slowly because of post-unification stresses, despite the gathering German recession.

But to come back to Keynes: his flirtation with public works began in the 1920s, when the commitment to stay on gold at the 1914 parity precluded a cheap money policy. In the 1930s he had a more fundamental worry. This was that it might not be feasible to get interest rates down far enough to secure maximum non-inflationary levels of employment. Thus public investment acquired a new role as a supplementary method of demand management, irrespective of the external and monetary regime.

Nevertheless the role of investment in stimulating demand does not follow from Keynesian theory, whatever Keynes himself might have thought. Formally, Keynes emphasised investment because it was the component of demand that fluctuated most. But when there is a deficiency of total spending, whatever its origin, increased spending of any kind, including consumer spending, is just as good at plugging the hole.

How about using Budget deficits to stimulate private spending? Keynes never made quite clear, or fully worked out, what he really thought of Budget deficits. Sometimes he claimed that public investment would stimulate activity that the Budget would be rebalanced within a few years. At other times he emphasised the need for a separate capital Budget.

In our own time the first instrument for maintaining adequate nominal demand growth must be monetary and interest rate policy. But if recovery turns out to be weak or very prolonged, we may have to settle for a series of quite high Budget deficits as shock absorbers.

Even though an internally held national debt is mainly a transfer burden between citizens, it is a burden nonetheless. It is better to avoid levying ever-heavier taxes on one group of citizens in order to make ever-higher interest payments to another and overlapping group. The sooner the burden can be transferred to monetary policy, the better. In the meanwhile, the UK government should adopt a less cavalier attitude to the debt interest rate burden and try to minimise it by devices such as more short-term borrowing, and more borrowing on indexed terms.

At all possible, the Budget should be brought back towards balance, or at least towards the Maastricht guidelines in the course of the 1990s. The weaselly "if possible" is there because the chance of a Keynesian liquidity trap, which would prevent interest rates falling to a level consistent with non-inflationary growth, has to be taken seriously, for the first time since the second world war.

When the world was hit by a negative demand shock after the first oil price explosion in the 1970s, it was very easy to have negative real interest rates. Because of the inflationary background quite high nominal interest rates could be combined with negative real ones. Although this had its disadvantages, it was of some help in cushioning the recession of the 1970s. Today, this route is closed. For the very success in reducing inflation now makes it hard to get negative, or even very low, real interest rates.

But I cannot resist remarking in conclusion that a nominal GDP objective - an old hobby horse of mine - would serve equally well if the need still is to rein back against inflation, or if it turns out to be something more expansionary.

Knight time search

The irony of yesterday's unimpeachable statement from Barclays Bank should be obvious to all but the most short-sighted City fund manager. Here is a bank which has trained the well-regarded chief executives of Midland, Standard Chartered and the TSB, announcing that it can't find a chief executive from within its own ranks.

The idea that Barclays Bank's management below board level is any worse than the other high street banks is hard to justify. True, the bank made a fool of itself in the property market and has mucked up its management succession. But was it really necessary for the five knights of the Barclays boardroom to send out such a demoralising signal to the other banks? Even during NatWest's darkest hour, there was never any suggestion that it should hire a chief executive from outside. No doubt the decision to look externally will be applauded by the corporate governance bores. There is no shortage of out-of-work US bankers who would jump at the chance of joining Barclays. Australia's troubled Westpac, for example, has just imported Robert Jones from Wells Fargo, who has made fewer mistakes than most bankers, could be a contender. But

his weakness is that he insists on combining the job of governor and chief executive.

Whoever it is, the next chief executive of Barclays will almost certainly have to be a real banker whose name is not many left on the board. The decision to bring in an outsider is risky. A more sensible alternative would have been to promote a respected non-executive director, like Sir Martin Jacobson, to be chairman and leave the current chief executive to sort out the mess.

No charge

A mobile phone racket which has already confused the airwaves over Australia and Sweden has hit London. High tech criminals who have pinched mobiles have found a way of altering the in-built electronic security number so that the bill goes to another user. Salesmen in long coats lined with phones are now trotting stolen state-of-the-art equipment around offices in London for £250 apiece with the promise that they will be good for a year, no charge. Gives Freddie numbers a whole new meaning.

Carla's boys

At a time when the new US administration is upsetting its partners with confusing signals on trade policy, it is only natural that Carla Hills, the former US trade representative, should try



to exploit the policy vacuum. Hills, 59-year-old wife of former SEC chairman Roderick Hills, has followed the route of many out-of-work politicians and become a Washington consultant. Her former deputy Julius Katz, and a couple of her other officials, Erin Endean and Robert Fisher, have joined her in the aptly named Hills Company whose aim is to help businesses maximise their opportunities and minimise their risks in the global economy. Even though she is one of yesterday's executives, her reputation for effectiveness means that there should be no shortage

of clients wanting their hands held as they watch the worrying conflicts emerging in the new administration's trade policy. Admittedly, Hills is first and foremost a lawyer, like her successor, Mickey Kantor. She made her initial mark as a ruthless negotiator rather than a policy-maker. But strength as a policy-maker emerged quickly thereafter. Kantor, take note.

Farming out

Meanwhile, long-suffering watchers of the Gatt round may be heartened by the latest reshuffle of Chancellor Helmut Kohl's agricultural team. Franz-Josef Feiter, the chancellor's adviser on agriculture, has moved over to the Agriculture Ministry to become the new state secretary there. His responsibility as the chancellor's leading adviser on the Gatt trade negotiations now falls to his colleague Johannes Ludwig, head of the economics department. Given Ludwig's greater interest in free trade, and lesser interest in protecting agriculture, this could be bad news for France's rear-guard action to resist a compromise on farm trade in the Gatt. Watch this space.

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Has dirty work entered the contest between British Gas, the monopoly household supplier, and ambitious newcomer Alliance Gas?

One of the biggest contenders in the now competitive industrial market. Alliance claims that if allowed to serve domestic customers, it could cut their bills by 50 yearly - which the reigning supplier disputes hotly. Hitherto, the two sides have confined themselves to rival advertising campaigns. But now British Gas has begun noisily and dustily digging up the road outside Alliance's headquarters.

Nor were staff there any happier for the news that another of the diggers' enemies, the Office of Gas Supply, was rocked by a loud gas explosion in its basement yesterday.

Boxing clever

Older Brits can now cushion Norman Lamont's impending rises in household heating prices, thanks to a new kind of amortisation package from a company in California.

It enables them to keep warm by wotting to cut long-term cost obligations, so helping to finance short-term increases in fuel bills. For about £7, Direct Funeral Services of Alameda will send them plans to build their own coffin which, in the interim, can be fitted with temporary shelves for use as a bookcase.

"When you build it yourself, it no longer strikes you as a casket," says the company's proprietor, a former Baptist minister called Al Carpenter.

Serb shelling of Srebrenica airlift breaks agreed ceasefire

France and UK suspend Bosnia air evacuation

By Robert Mauthner in London and Laura Silber in Belgrade

FRENCH and British helicopters, which yesterday started to evacuate Muslim civilians from the besieged enclave of Srebrenica in eastern Bosnia, were forced to suspend operations a few hours later because of heavy Serb shelling of the town.

The mission was halted shortly after two British helicopters had evacuated two Canadian soldiers of the United Nations peacekeeping force wounded by the Serbs. Earlier, Serb shells had killed a civilian minutes after three French helicopters had taken away 21 wounded Muslims.

The British Sea King helicopters had flown into Srebrenica under fire but were able to leave unharmled, in spite of the fact that the Serb bombardment appeared to be deliberately directed at the town football pitch which was being used as the landing zone.

The Serb action was described as "the ultimate in despicable behaviour" by Brigadier Roddy Cordy-Simpson, British chief of staff at the UN Bosnia command. UN officials immediately protested to the Serb military, which had agreed to a ceasefire to allow the airlift to succeed.

Srebrenica has been under

siege since last April. Under a deal worked out by General Philippe Morillon, the French UN commander, Serb leaders had authorised the evacuation of sick and wounded on condition that 46 Serb inhabitants of Tuzla, a Muslim-held town in northern Bosnia, would also be evacuated.

The Serb forces are only a few kilometres away from Srebrenica and it is feared that they are preparing for a final assault.

In New York Lord David Owen, one of the two peace mediators on the former Yugoslavia, yesterday delivered a strong protest to Mr Radovan Karadzic, the Bosnian Serb leader, over the shelling of the helicopter relief flights.

The German government decided yesterday to send military transport aircraft to join US flights dropping emergency supplies to Muslim communities in Bosnia, and border patrol vessels to enforce the Yugoslav trade embargo on the river Danube, writes Quentin Peel in Bonn.

But the ruling coalition is deeply divided on whether to allow German air crews to stay on board Nato Avacs reconnaissance aircraft over the Adriatic. The Free Democrats, junior party in the coalition, insist that if the UN decides to enforce a no-fly zone over Bosnia, the role of the Avacs aircraft will become combat-related, and the German crews must be withdrawn.

Coalition leaders were in emergency session last night, seeking to resolve their differences, even



Leaving home: A Serbian girl sits crying in the bus taking her and 45 other Serbs from their homes in the northern Bosnian town of Tuzla

though the Security Council cancelled its session at which the resolution authorising the use of force to enforce the no-fly zone was expected to be adopted.

Belgium lifts rates after ruling coalition resigns

By Andrew Hill in Brussels and James Blitz in London

BELGIUM'S central bank was yesterday forced to raise official interest rates to support the franc, after the resignation of the ruling coalition government triggered strong selling of the currency inside the European exchange rate mechanism.

Belgian government bonds and share prices also came under pressure as financial markets remained uncertain about the future of the country's fragile ruling coalition and its commitment to reducing the looming budget deficit. King Baudouin was yesterday consulting senior politicians over whether to accept the resignation of Mr Jean-Luc Dehaene, the prime minister, and his centre-left coalition.

Mr Dehaene offered to resign on Tuesday night, after coalition partners failed to agree on how to bring Belgium's budget deficit into line with the economic criteria for European economic and monetary union set out in the Maastricht treaty.

The Belgian national bank raised its central interest rate from 8 per cent to 8.5 per cent and its end-of-day rate from 9 per cent to 10 per cent to protect the Belgian franc as the currency weakened against the D-Mark.

Belgium's central bank has an informal commitment to peg its currency closely to the D-Mark to underpin its commitment to monetary union. The rate rises triggered support for the Belgian franc, which closed unchanged on the day at BFR20.82 against the D-Mark.

The Bel-20 index of Belgium's largest stocks slipped by 9.41 points, less than 1 per cent, to 1,948.91, and the yield on government bonds opened higher and changed little during the day.

Mr Dehaene, a Flemish Christian Democrat, insists that all four government parties - Socialists and Christian Democrats from both sides of Belgium's language divide - are committed to reducing the deficit.

Political analysts suggested he had offered to resign because he wanted to make all the four parties realise the potential gravity of the dispute.

The king is thought most likely to refuse the resignation offer and insist that the coalition partners reach a compromise on budget measures, which are aimed at raising BFR110bn (\$3.9bn).

US-Japan talks on chips trade deadlocked

By Louise Kahoe in San Francisco

THE US and Japan are deadlocked on the issue of setting new market share targets for semiconductor trade, with Japan refusing to agree to the use of any quantitative measure for foreign access to the \$20bn Japanese semiconductor market.

US and Japanese trade officials met in Hawaii ended their talks on Tuesday without resolving the dispute. The US has been pressing for a new market share target of an average 30 per cent in 1993 for foreign sales of semiconductor products in Japan.

The semiconductor dispute has taken on a broader significance in light of comments by Mr Mickey Kantor, US trade representative, that he may take a similar approach, setting "temporary quantitative indicators" in other sectors where the US believes that the Japanese market is not open to US companies.

The semiconductor market share target issue will now be taken up at senior US administration level, in advance of a visit by Mr Kiichi Miyazawa, the Japanese prime minister, to Washington next month.

The US could seek an amendment to the 1981 bilateral semiconductor trade pact, including new market share targets. Alternatively, an informal agreement could be sought. Most likely, however, the US would take a unilateral position, declaring its new market-share target and using it as the primary measure of Japan's compliance with its promise to ensure greater market access for foreign chip suppliers.

Japan is determined to avoid any use of market share targets in future trade agreements, and is taking a stand on the issue in the semiconductor trade talks.

Last week, the US and Japan announced that the previous semiconductor market share target, set in a 1981 bilateral trade agreement, had been achieved in the fourth quarter of 1992.

While the US has hailed this as evidence that market share targets are an effective means of prying open Japanese markets, Japan maintains that the semiconductor trade agreement has been misinterpreted by the US.

EC approves Norwegian membership application

By David Gardner in Brussels

THE EUROPEAN Commission approved Norway's application to join the European Community yesterday, and accession negotiations are expected to open formally when EC foreign ministers meet in Luxembourg on April 6.

Brussels is moving fast to bring talks with Norway into line with entry negotiations that began on February 1 with Austria, Sweden and Finland. The Commission hopes all four can achieve EC membership by 1995 if their governments can win public approval.

Norway rejected EC membership in a divisive referendum in 1972, and enthusiasm for joining the Community there and in Sweden and Finland is lukewarm.

Mr Hans van den Broek, EC foreign affairs commissioner, took a tough line when he conducted the negotiations and he stressed yesterday that all the applicants had to accept existing EC rules and laws, and the Maastricht treaty.

Mr Hans van den Broek restated EC policy that there was no prospect of granting the applicants the opt-outs on monetary union, common defence policy and European citizenship devised to enable Denmark - whose voters narrowly rejected Maastricht last June - to re-present the treaty in a second referendum on May 18. He added that "it's not our task to influence the very mature public opinion of Norway one way or the other".

In common with its co-applicants, Norway will spend the next few months working through a list of EC laws, testing whether they are compatible

with their own laws. Most, however, have been brought into line via the European Economic Area treaty, which created a free trade zone between the EC and the European Free Trade Association to which all the candidate countries belong.

Tricker issues - such as agriculture, fisheries, competition law, state aid, regional policy and, especially for Norway, energy - will be dealt with separately in 29 "packages".

The hope is to conclude the negotiations by the end of the year, enabling referendums in the applicant countries next year.

Mrs Gro Harlem Brundtland, Norwegian prime minister, who was in Rome for talks with Mr Giuliano Amato, her Italian counterpart, was quoted as welcoming the Commission's finding as "very positive".

Washington: Mr Andrei Kozyrev, the Russian foreign minister, sketched out a plan for closer co-operation between his country and leading industrialised nations, eventually leading to full-fledged Russian membership of the Group of Seven.

In a Washington speech before a White House session with Mr Clinton, Mr Kozyrev argued that the phased economic integration of Russia into the G7 "should become an integral part of the Russian-US co-operation programme".

Russian leadership talks break down

Continued from Page 1

re-emphasised that the G7 countries should encourage economic reform in Russia particularly by promoting small businesses and privatisation.

Jurek Martin reports from

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THE LEX COLUMN

Cashing in at Reuters

Reuters' rumblings about whether to distribute some of its £710m cash mountain to shareholders again arouses the suspicion that it may be running out of growth. If Reuters concludes its shareholders can use the cash more advantageously than it can, it would be tacitly admitting that future expansion was at least limited. This, though, would be a rather unkind interpretation of a commendable instinct.

The temptation for companies with strong cash flows is to make acquisitions. The result has often been foolhardy diversification which has diluted returns. So far, Reuters has shown restraint. The company certainly plans modest purchases in related areas. It also lifted its capital expenditure last year by a quarter to almost £200m. Even so, Reuters is likely to continue throwing off surplus cash. As interest rates fall, it becomes more pressing to consider how to use it.

The theory of distribution is fine. But the practicalities are fraught with complexity. A special dividend would be one option. The drawback is that shareholders would benefit to varying degrees depending on their tax position. Moreover, Reuters' shareholders have traditionally looked for capital appreciation, not yield. A share repurchase scheme may be preferable, despite the difficulty of coping with different regulatory and tax regimes in the UK and US. Several other companies, ranging from GEC to BT, face actual or imputed problems of surplus cash. It would be nice if Reuters could publish a solution on its wires.

FT-SE Index: 2860.6 (-0.5)



In the meantime, Lasmo looks like a high-cost producer without the financial muscle to compete with the best. Without a sustained rise in the oil price, a fresh injection of equity looks the only way to restore financial balance. Raising US preference capital may provide a partial solution. Having disappointed the UK stock market on so many occasions, though, Lasmo cannot count on the real thing.

Kingfisher

Kingfisher's decision to extend its everyday low pricing policy at B&Q looks like the market leader tightening the screw on the competition. The timing, just ahead of the crucial Easter trading period, is certainly tactical. But the strategy depends upon longer term performance improvements which the others will find hard to match. Texas may find a refuge in the softer home furnishings and decoration area. Do it all has nowhere to run. Only the high costs of exit will prolong the agony.

Kingfisher's other big idea is Europe. The Darty acquisition is proof of his commitment, but the proposition still seems suspect. If markets are becoming increasingly similar, then how can Darty's high margins in France be squared with Comet's weaker showing in the UK? Any convergence seems likely to be in the direction of lower, not higher margins.

UK coal

However hard the government struggles, it seems unable to produce a black and white plan for the future of the coal industry. Indeed, if the smoke

signals are to be believed, the past few weeks have been spent hammering out the final details of the basic coal contract with the electricity companies which was supposed to have been agreed last September. That deal by itself will not save any of the threatened pits. And while the generators are, in principle, happy to take some extra coal, provided that it is at world market prices, they have not yet agreed to do so.

The government thus has to produce a proposal to subsidise coal without firm commitments from the generators. It seems likely to underwrite the production of an extra 12m-15m tonnes for the next two years, reprieving around 11 pits. But they will have to cut costs to world prices in that time if they are to survive. Another half dozen pits may be mothballed to make up the numbers. A few may even be sold off to contractors who would rip cheap coal out as quickly as possible, and then close the mines. Given that British Coal has failed to cut its costs fast enough in the past three years, it is tempting to assume that the government is only postponing part of the agony. Yet 18m tonnes of coal were imported to the UK last year, so there is a potential market, at least, for some of the threatened output.

Meanwhile, the generators, National Power and PowerGen, seem to have faced down Mr Heseltine and his threats of legislation. The recent run-up of their shares to all-time highs looks justified. After this debacle, any enthusiasm for an early monopoly and mergers inquiry into the generation duopoly must have wilted.

Merck

It is difficult to separate the wheat from the chaff in yesterday's profits warning from Merck. If profits at the largest US pharmaceutical company are being squeezed by government regulation and price-sensitive customers, the rest of the sector will surely suffer. The market's knee-jerk response in marking down Wellcome and Glaxo then looks correct. But to the extent that Merck's earnings are damaged by a strong dollar - around half its sales are made outside the US - UK pharmaceutical companies actually stand to benefit. There is also the nagging suspicion that companies like Merck might seek to blame the poor performance of specific drugs on wider industry trends. The fine print in its first-quarter figures will make more interesting reading than usual.

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FT 25/93

INSIDE

Pernod-Ricard rises 15% to FF1.13bn
Pernod-Ricard, the leading French drinks group, lifted profits by 15 per cent to FF1.13bn (\$204m) in 1992. The group also proposed a dividend rise, announced a rights issue and set out a plan for simplifying its share structure. Page 18

BCI tumbles 16.9% to L264bn
Banca Commerciale Italiana, the state-run Italian bank set for privatisation, suffered its second year of sharply-falling net profits with a 16.9 per cent drop to L263.8bn (\$167m). BCI attributed its lower earnings to higher taxes and depreciation, write-offs on securities and heavier provisioning for loan losses. Similar factors are likely to push down earnings at most Italian banks this year. Page 18

China tries to stem the rush
Securities regulators trying to impose order on the speculative frenzy that prevails in China - some of it in the street where market makers scrawl prices on blackboards - will have been reminded of Mr Deng Xiaoping's dictum: "Cross the river by feeling the stones." But the problem for the regulators is that the river is flowing swiftly and the stones are by no means secure. Page 20

Blenheim sees 'excellent' year
Blenheim Group, the UK exhibition organiser, forecast an "excellent" year after announcing higher than expected profits of £48.7m (\$70.5m). Mr Neville Buch, chairman, said the company's established exhibitions had weathered recession in its main markets. Page 22

Credit Lyonnais' looming gloom
Analysts expect gloom on Monday when Credit Lyonnais, one of Europe's biggest banks, reveals its 1992 results - which may show a loss as heavy provision could jeopardise Credit Lyonnais' hopes of being privatised and poses a threat to its chairman Mr Jean-Yves Hachez (left). Appointed by France's socialists in 1988, he risks losing his job if the right gains power. Page 19

Platinum move signals anguish
Tuesday's announcement by Rustenburg Platinum, the world's largest producer, that it was closing its South African plant signalled the distress felt by South African platinum producers. Page 24

Nestlé gains 9.2% and increases dividend
By Ian Rodger in Zurich

NESTLÉ, the world's largest foods group, yesterday revealed better than expected profits for 1992. The group also proposed a dividend rise, announced a rights issue and set out a plan for simplifying its share structure.

Consolidated net profit rose 9.2 per cent last year to SF2.7bn (\$1.8bn) or SF73 per share. The directors, describing the performance as satisfactory, are proposing that the dividend be increased from SF2.150 per share to SF2.350, and from SF48 to SF47 per participation certificate.

Meanwhile, the group, which also became the world's largest supplier of mineral waters following its SF3.4bn acquisition of Source Perrier last summer, announced plans for a rights issue.

The terms would be disclosed later. The group said it would be "at below market price" at the rate of one for every 25 registered shares even more attractive to institutional investors," the company said in a statement.

The directors are also proposing to convert the participation certificates into bearer shares at the rate of two shares for each certificate, and then to convert all bearer shares into registered shares at a rate of one for one. The aim was to simplify the capital structure and increase the market liquidity of Nestlé shares.

"The board is convinced this measure will render Nestlé

Six GM colleagues join Lopez at VW
By Martin Dickson in New York

SIX EUROPEAN colleagues of Mr Ignacio Lopez de Arriortua, the Spanish purchasing chief who quit General Motors last week to join Volkswagen, have also resigned from GM to join him at the German car manufacturer.

Three of them were among 20 GM purchasing executives in charge of buying parts and materials around the world, while the three others were more junior buyers.

The German company refused to confirm that the men would join the company.

Mr Lopez was appointed last week as head of production and purchasing at VW.

He was estimated to have cost \$1bn or more of purchasing costs from GM's loss-making North American operations since his appointment as head of worldwide purchasing in May of last year.

Analysts regarded his departure as a considerable blow to GM's North American cost-cutting programme, as he brought an idiosyncratic flair to the job, but they did not think the loss of his six colleagues would have much additional impact on GM.

GM itself said the resignations of the six would have "little consequence" for its programme.

Four of the six worked for GM in Detroit and followed Mr Lopez there from Europe. They are Mr Jose Gutierrez, who was in charge of buying machinery and equipment; Mr Hugo Van der Auwera, in charge of buying metals, who came to the US in January; Mr Francisco Garcia, the executive responsible for purchasing bought electrical parts; and Mr Andre Versteeg, a more junior buyer.

The two other buyers worked for GM in Europe and were named as E. Piazza and J. Alvarado.

Analysts said the four Europeans in Detroit might in any case have found it hard to adapt to working for Mr Lopez's successor, who is expected to be named by GM before the group's board meeting on April 5.

In recent months VW has poached two other executives from GM Europe, who is now director in charge of buying at Audi, and Mr Jürgen Gebhardt, Audi's new production director.

How it will look

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graph TD
    Hollinger -- 88% --> Telegraph
    Telegraph -- 50% --> Southam
    Power -- 18.75% --> Southam
    Investco -- 18.7% --> Southam
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A deal with 'astronomical' potential
Mr Conrad Black's business career has often taken surprising twists. But, for some of those in London who follow his publicly quoted UK newspaper group, The Telegraph, the sentiments aroused by his latest shift of tack go well beyond surprise.

Last November, Mr Black's Canadian company Hollinger bought a 25.5 per cent stake in Southam, a Canadian newspaper group, at a price of C\$18.10 per share, at the time a 15 per cent premium to the market price. Hollinger has since offered The Telegraph half this stake, at the same price, at a cost to the UK group of £72.5m (\$107m).

The purchase was approved by The Telegraph's independent directors, ready for a vote by shareholders. The majority of the shares in The Telegraph, some 98 per cent, are owned by Mr Black's interests; but only outside shareholders will vote on the deal. The shareholders vote was set for March 30.

Then came the twist. Last week, Power Corporation, the holding company of Mr Paul Desmarais, the Canadian financier, agreed to buy new shares from Southam at C\$14 each. That purchase will give Power an 18.7 per cent stake in Southam, and dilute the Hollinger holding down to the same level. Power and Hollinger also came to a shareholder agreement which would give the two considerable influence over Southam.

To Mr Black, Southam is "a classic corporate recovery". It owns 17 newspapers, published in almost every main Canadian city. It lost C\$183.3m in 1991 and C\$262.9m last year, and has been struggling with borrowings which reached C\$66m in 1991. But debt is being reduced. Power's investment in Southam is worth C\$180m and Southam is planning a C\$75m rights issue later this year, which should leave the business virtually debt free. "The upside could be astronomical," enthuses Mr Black.

Canadian analysts generally support Mr Black's assessment of Southam. "They have a wonderful franchise and they should be able to make money," says Mr Sue Scully, of Richardson Green-shields.

It is not quite a clear-cut issue, though. If Power and Hollinger work together, they will have considerable influence over Southam. But if they fall out the story could be different. Some in Toronto suspect Southam did the deal with Power in order to reduce the influence of the Hollinger/Telegraph axis.

Although Mr Black said in a letter to the FT that Hollinger and Power are "long-standing corporate friends and on occasion allies" Mr Black and Mr Desmarais have also been rivals, notably in the fight over Argus Corporation when Mr Black beat Mr Desmarais in a takeover battle.

Still, a number of Telegraph shareholders and analysts in London focus not so much on the merits of the deal as on the way it has been handled.

On March 13 The Telegraph's independent directors sent a circular to shareholders recommending a vote in favour of the share purchase, and a meeting between directors of The Telegraph and analysts was held on Wednesday March 17. It was on Tuesday or Wednesday, say those

Reuters considers distributing part of £710m cash mountain
By Andrew Bolger in London

ANALYSTS estimate Reuters could hand back as much as \$200m to shareholders and a buy-back would not be dilutive at about the present share price, and would enhance earnings at a lower level. Reuters shares yesterday closed 4p higher at £13.59p, giving the group a market capitalisation of nearly \$6bn.

The annual report said that if Reuters decided that it had more cash than it required to develop new business, it had the capacity to distribute a proportion of this cash to shareholders without the need to write off unrelieved Advance Corporation Tax. Reuters achieved this by paying an increased dividend of £367m from its main operational company to the holding company in December, thereby preserving a portion of the group's ACT capacity.

The main concern for the company is that it will no longer be seen as a growth stock. Having exceeded profits rapidly during the 1980s, its performance has slowed as recession has struck the world's financial markets.

Reuters increased its capital expenditure by 26 per cent last year to £200m, but that was still overshadowed by strong cash generation.

The company is developing a new generation of products - such as Globex, which offers automated dealing for futures and options, and Dealing 2000, which provides a similar foreign exchange dealing system.

Analysts would prefer to see Reuters hand back some of its cash to shareholders, rather than be tempted to invest in an area outside its core expertise.

Lex, Page 16

Barclays seeks outside executive
By John Gopper and Norman Colver in London

BARCLAYS, which this month announced a pre-tax loss of £242m (\$344m) and halved its final dividend, said yesterday it was embarking on a worldwide search for a new chief executive from outside the UK bank.

Mr Andrew Buxton, who became chairman and chief executive in January, has asked a group of directors to find a chief executive after sustained pressure from institutional investors for the roles to be split.

The appointment of an outsider is a significant change for Barclays. Most of its chairmen - including Mr Buxton - have been members of families whose banks merged to form it 96 years ago.

Sir Denis Henderson, chair-

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Chief price changes yesterday

FRANKFURT (DM)		LONDON (Pence)	
Daimler-Benz	825.5 + 11	Shell	51 + 5
Hellmuth	1050 + 40	BP	420 + 13
Mercedes	480.5 + 15	Castrol	335 + 10
Porsche	1000 + 10	Elf	148 + 18
Volvo	1000 + 10	Esso	148 + 18
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INTERNATIONAL COMPANIES AND FINANCE

Pernod-Ricard rises 15% despite reduction in sales

By Alice Rawsthorn in Paris

PERNOD-RICARD, one of France's leading drinks groups, increased net profits by 15 per cent to FF1.13bn (\$204m) last year from FF983m in 1991.

Mr Patrick Ricard, chairman and chief executive, said that "despite the unfavourable economic environment and the decline in consumption", the group had continued to show growth chiefly due to its international expansion strategy.

The group saw turnover fall by 4.8 per cent to FF14.5bn in 1992 from FF15.2bn in 1991. This decline in sales was due

to disposals, notably the sale last May of the bulk of the Société des Vins de France wine business. Mr Ricard said the underlying rate of sales growth was 4.7 per cent.

Pernod saw operating profits fall to FF1.98m from FF2.05bn in 1991, mainly because of disposals. However, it compensated with an increase in exceptional gains from FF16m to FF26m over the same period. The board has raised the dividend by 6 per cent to FF0.5 for 1992.

The company, like other French concerns, was affected by the franc's strength follow-

ing the September currency crisis. It estimated that exchange rate changes reduced sales by FF231m and operating profits by FF32m.

Last year was the first that Pernod received more income from its international operations than from its French business.

It continued its international growth last year by opening subsidiaries in Taiwan and South Korea and setting up joint ventures in Poland and Hungary. It is expanding its domestic activities, notably by securing the distribution contract for Pepsi-Cola in France.

Skanska plunges to SKr3.53bn deficit

By Christopher Brown-Humes in Stockholm

SKANSKA, Scandinavia's largest construction and property company, plunged to a SKr3.53bn (\$457m) loss after financial items in 1992, due to huge property write-downs, high interest rates, and the impact of foreign currency speculation.

The worse-than-expected result, which compares with a SKr728m profit in 1991, led the company to cut its dividend to SKr1.50 per share from SKr3.25.

The two main reasons for the deficit were SKr1.3bn in property write-downs and one-off financial losses of SKr1.4bn. However, weaker market conditions for the group's main activities led to an 8 per cent slump in revenues to SKr31.9bn and to a 21 per cent fall in operating income to SKr2.47bn from SKr3.12bn.

The property write-downs, which compare with SKr1.15bn in 1991, were much bigger than envisaged at the eight-month stage, when the group said they would total SKr1.5 to SKr2bn. They reflect lower real estate values, both in Sweden and abroad.

Write-downs on the value of the group's Swedish real estate book totalled SKr1.9bn, while properties in London and Oslo were written down by more than SKr1.5bn. A further SKr600m in write-downs related to other foreign properties.

The group suffered an extraordinary SKr518m loss due to foreign currency deals which resulted in the dismissal of the head of its finance subsidiary, Skanska Kapitalförvaltning, last August.

However, because the portfolio was financed by short-term borrowing, the group incurred heavy financing costs when Swedish overnight interest rates shot up to 500 per cent last September. Realised losses in the portfolio, which has now been discontinued, plus financing costs totalled SKr575m.

Banca di Roma in L102.5bn profit

By Haig Simonian in Milan

BANCA DI ROMA, Italy's biggest bank in terms of branches, reported pre-tax profits of L102.5bn (\$64.8m) last year. A direct comparison with 1991 is not possible as the bank represents the merger last August of the former Banco di Roma with Banco di Santo Spirito, itself an amalgam of the latter bank and the Cassa di Risparmio di Roma.

In spite of gross profits of L2,006bn - 9 per cent up on the 1991 figure for Banco di Roma and Banco di Santo Spirito combined, the dividend is being halved to L25 a share.

Around 10 per cent of the bank's capital is floating.

Banca Commerciale Italiana, the state-controlled Italian bank which is to be privatised, suffered its second consecutive year of sharply-falling net profits with a 16.9 per cent drop to L263.8bn in 1992.

The reduction in earnings at parent bank level followed a 33 per cent slump in 1991. However, the dividend again remains unchanged at L200 for ordinary shares and L230 for savings stock.

ECI attributed its lower earnings to higher taxes and depreciation, write-offs on securities and heavier provisioning for

loan losses. Similar factors are likely to push down earnings at most Italian banks this year.

Earnings at operating level showed an opposite tendency, with a 21.2 per cent jump in gross profits to L1,380bn, due partly to careful cost control matched by a slight decrease in staff numbers.

Continuing heavy investments in new branches, which increased the network by 60 units to 706 at the end of last year, contributed to a 10.9 per cent rise in deposits to L82,736bn. Loans rose by 13.3 per cent to L85,336bn. At group level, total assets last year went up to L131,000bn from

L117,053bn in 1991.

Monte dei Paschi di Siena, the Italian bank, is set to take majority control of Sindibank, the small Spanish financial institution in which it bought a minority holding in 1990.

Sindibank, controlled by the Piarro group, has 40 branches and is currently stock market-listed. Monte dei Paschi plans to raise its stake to 57 per cent from the current 33 per cent via a capital increase now under way.

That will be followed by a public tender offer for the remaining shares left floating, after which Sindibank will be delisted.

Earnings at Veba decline 20%

By Ariane Genillard in Düsseldorf

VEBA, the German industrial conglomerate, confirmed yesterday it would maintain its dividend at DM12 a share despite pre-tax profits dropping by 20 per cent to DM2.342bn (\$1.435bn) in the year to December 31.

Net profits, after goodwill write-downs, fell by 14.7 per cent to DM1.043bn, down from DM1.222bn the year before. Net income after minority interest

stood at DM906m, down from DM1.065bn in 1991.

"The current drop in earnings is not strong enough to lower our dividend. We are prepared to follow a smooth rather than strict correlation between earnings and the dividend," the company said.

Group sales for 1992 rose by 9.9 per cent to DM65.4bn. Two-thirds of the increase reflects the acquisition of the forwarding company, Schenker. Production costs rose by 11.2 per cent reflecting the consolidation

and lower margins in the chemical divisions.

Earnings per share for the group went down by 9.7 cent to DM26.30 in 1992, down from DM29 the year before. Earnings are calculated using the so-called DVFA accounting formula, which adjusts results for extraordinary items and transfers to reserves.

The drop in earnings per share does not include the restructuring costs of DM109m in the chemical divisions and DM246m in the power generating business.

Lasso slashes dividend after loss

By Deborah Hargreaves in London

LASSO, the oil exploration and production company, slashed its dividend by more than expected and reported an after-tax loss of £235m (\$54.7m) for last year.

The company's share price tumbled by 19p to 173p as it announced it had cut its dividend to 3.3p for last year from 8.4p the year before.

Mr Joe Darby, who took over as chief executive at Lasso in January said: "The dividend cut was a very hard decision, but we took a long look at the business and decided to reduce the dividend to a level that is sustainable."

The company announced it would sell its share of the Markham gas field in the

North Sea. Analysts have estimated it might fetch £100m.

Mr Darby said he was looking at re-focusing Lasso, strengthening its balance sheet and putting a drive on core exploration while divesting much of its peripheral interests. But some analysts suggested the company could be jeopardising future growth.

"You've got to differentiate between fat and muscle and Markham is more muscle than we've recently got rid of, but there is not huge upside potential there," said Mr Darby.

Lasso made an operating profit before exceptional items of £112m compared with a loss of £5m the year before. But the company was hit hard by exceptional items of £426m. These included a writedown of £235m as it revalued its assets

based on lower price expectations and more conservative reserve estimates for some of its fields.

Lasso is testing all of its oil projects against a flat oil price of \$15 a barrel. Production is planned to rise by 40 per cent during the next five years to 220,000 barrels a day.

The company also changed its accounting procedures and the loss for 1991 was restated to £4m. Its debt-to-equity ratio rose to 111 per cent at the end of the year and once the benefit from disposals made last year feeds through, gearing will fall to 88 per cent.

Earnings per share before exceptional items were 4.6p and after exceptional items, the company incurred a loss of 52.2p a share compared with a loss of 2.3p in 1991. Lasso, Feb 16

Esselte returns to the black

By Christopher Brown-Humes

ESSELTE, the Swedish office products group, has reported a SKr259m (\$33m) profit after financial items for 1992, after the demerger of a loss-making unit and rationalisation measures helped it turn round a 1991 loss of SKr161m.

Despite this, the group is cutting its dividend to SKr2.50 per share from SKr3.25 because it says cash-flow has deteriorated and the market outlook is uncertain.

Group profit would have been SKr124m higher in 1992 without the impact of currency

losses caused by the depreciation of the krona.

These, together with a worsening of market conditions towards the end of the year, prevented the group from meeting its June forecast of a SKr400m profit.

Turnover fell to SKr9.91bn from SKr11.6bn partly because of the recession but mainly because of the demerger of the company's Scandinavian-based distribution business which now operates under the name of Scribano.

These activities contributed to the group's 1991 loss as did SKr416m in non-recurring

costs caused by restructuring.

The group's main unit, Esselte Dymo, which markets office products in Europe, Australia and the Far East, saw sales fall to SKr3.69bn from SKr4.01bn although operating income improved to SKr292m from SKr150m.

Esselte expects this year's result to exceed the 1992 level, but only because currency movements should not have such a big impact. The group is not predicting an improvement in market conditions, and is particularly worried about the downturn in Germany.

Sharp deterioration at Norwegian shipowner

By Karen Fosell in Oslo

L.M. SKAUGEN, the shipowner that is listed on the Norwegian bourse, reported a sharp deterioration in 1992 pre-tax losses to NKr663m (\$81m) from NKr183m.

The company said the weak performance reflected the completion of a major turnaround of the group, which aims to reduce financial and operational risks and debt.

Gross freight revenue was halved last year, to NKr1.2bn from NKr2.4bn a year earlier, due to weak markets and a reduction in the fleet. Net financial items rose to NKr112m from NKr57m. L.M. Skaugen said debt had

been reduced by about NKr1bn to NKr183m.

SKAUGEN was long-term debt. It said the winding up of former activities was not yet complete, but outstanding assets and liabilities were relatively minor.

Administration costs were reduced by half to NKr271m. L.M. Skaugen last year transformed itself from a diversified shipowner to an owner and operator of petrochemical gas carriers. It established Norwegian Gas Carriers to cover this activity. It forecast continued weakness in the petrochemical gas carrier market in 1993, mainly due to profitability problems in the west European petrochemicals industry.

Finnish insurer stays in the red for third year

HEAVY CLAIMS from foreign and credit insurance business kept Finnish insurer Pohjola in the red for the third consecutive year in 1992, although its operating loss narrowed to FM525m (\$69m) from FM588m in 1991, writes Christopher Brown-Humes.

The company relied on an improved investment performance, where income rose to FM508m from FM378m, to help offset a deeper underwriting loss of FM307m, compared with FM190m. Premiums fell 5 per cent to FM3.24bn, following a 4 per cent decline in domestic premiums to FM2.94bn, and a 12 per cent drop in foreign premiums to FM407m.

Argentaria issues details of sell-off

By Tom Burns in Madrid

ARGENTARIA, the state-owned Spanish banking corporation, yesterday said that 60 per cent of the shares in the group which are to be privatised will be sold to domestic buyers.

Mr Francisco Luzon, the group's chairman, said this tranche would come from a total of between 15 and 25 per cent of the capital to be sold off.

No details on pricing were given, but the offering could raise up to Ptas150bn (\$1.25bn). Argentaria's consolidated book value on December 31 1991 was Ptas235bn, and its current market capitalisation is conservatively estimated at Ptas60bn.

Mr Luzon said Spanish retail investors would receive preferential treatment in the offering, and be able to acquire Argentaria shares for a minimum outlay of Ptas2,000 (\$215) and a maximum one of Ptas8m.

He said he would like to place 30 per cent of the banking group but would raise the offering to 25 per cent, the maximum authorised by the government, if domestic demand proved strong enough. "I want 300,000 shareholders," he said.

The weighting towards the retail domestic market follows the pattern established by the state-controlled energy group Repsol.

LVMH

MOËT HENNESSY. LOUIS VUITTON

FF 3 BILLION IN 1992 NET INCOME

At a meeting held on March 17, 1993, the Board of Directors of LVMH Moët Hennessy Louis Vuitton reviewed the Group's financial statements for the year ended December 31, 1992.

Consolidated highlights by segment

In FF millions	Sales		Income from operations	
	1991	1992	1991	1992
Champagne & wines	5,551	5,245	1,326	780
Cognac & spirits	6,229	5,553	2,791	2,286
Luggage & leather goods	4,847	4,700	1,881	1,849
Perfumes & beauty products	4,874	5,487	636	809
Other	535	673	(219)	(258)
LVMH	22,036	21,658	6,415	5,466

In 1992, as a result of the economic slowdown in most industrialized countries, sales of the LVMH Group remained stable.

On a constant currency basis, sales would have risen by 1.2 % over the 1991 level.

The Group's net income totalled FF 3,007 million.

LVMH's income from its shareholding in Guinness PLC decreased by 37 %, due to the decline in Guinness net results linked to the Group's restructuring of its brewing and spirits interests as well as the lower exchange rate of the British pound against the French franc.

Excluding the impact of Guinness and related financial costs, the decline in LVMH's net income from the 1991 level would have approximated 7 %.

LVMH's net profit margin (net income as a percentage of sales) remained excellent at nearly 14 %.

The champagne & wines segment was negatively affected by the difficult economic environment in all its major markets, primarily in Europe, as well as by heightened competition from lower-priced champagne sold in France and the UK.

In the cognac & spirits segment, the impact of slower sales in Japan was only partly offset by growth in developing Asian markets.

The luggage & leather goods segment once again improved its profitability, thanks to stronger manufacturing productivity. The Louis Vuitton label, boosted by its expanding store network and successful new products, won over new customers.

The perfumes and beauty products segment, fuelled by the continued success of the recently introduced «Dune» at Parfums Christian Dior and «Amoré» at Parfums Givenchy, recorded strong sales and profit performances in all its major markets.

Though LVMH's brands were affected by declining markets and price competition, they managed to hold or improve their market shares.

The Board of Directors will recommend to the Annual General Meeting of June 10, 1993 distribution of a dividend per ordinary share of FF 68 for 1992, identical to the 1991 dividend.

An interim dividend of FF 17.50 per ordinary share was paid on November 30, 1992. Including «Avoir fiscal» tax credit, the total remuneration per ordinary share will amount to FF 102.

LVMH, THE WORLD'S LEADING LUXURY PRODUCTS GROUP

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FUTURES PAGER

MINORCO

Notice to Holders of Bearer Share Certificates - Payment of Coupon No. 11

With reference to the notice of proposed interim dividend advertised in the press on March 18, 1993 the following information is published for the guidance of holders of bearer share certificates.

The dividend of 19 cents was declared in United States currency. The dividend will be paid on or after May 5, 1993, against surrender of Coupon No. 11 detached from bearer share certificates as follows:

(a) at the offices of the Corporation's Continental paying agents:
Banque Générale du Luxembourg Crédi du Nord
14, rue Aldringen 6-8 boulevard Haussmann
Luxembourg 75009 Paris
Grand Duchy of Luxembourg France

(b) at the London Securities Department of Barclays Bank plc, Stock Exchange Services Dept., 168 Fenchurch Street, London EC3P 3HP. Unless persons depositing coupons at such office request payment in United States dollars (in which case they must comply with any applicable Exchange Control regulations), payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged on or prior to April 28, 1993, at the United Kingdom currency equivalent of the United States currency value of the dividend on April 13, 1993; or
(ii) in respect of coupons lodged on or after April 29, 1993, at the prevailing rate of exchange on the day the proceeds are remitted to the London Securities Department of Barclays Bank plc.

Coupons must be left for at least four clear days for examination (eight days if payment in United States currency has been requested) and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Securities Department of Barclays Bank plc, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made the net amount of the dividend, after deducting United Kingdom income tax at 25% will be 14.25 cents (United States) per share.

In the case of payments made in United Kingdom currency the sterling equivalent of the net dividend will be calculated in accordance with sub-paragraph (b) above.

Copies of the Interim Report of Minorco for the half-year to December 31, 1992 will be available after March 29, 1993 from the Registered Office of the Corporation and the offices of the paying agents referred to above.

By Order of the Board, N Jordan, Secretary, March 25, 1993
Minorco Société Anonyme RC Luxembourg No. B12139

COMMERZBANK AG

NOTICE IS HEREBY GIVEN that this year's Annual General Meeting of Commerzbank AG will be held in Bremen on May 7, 1993, at 10.30 a.m.

AGENDA (abridged version)

- To consider the Bank's established Annual Accounts, the Report of its Board of Managing Directors on the Bank's Performance, the Report of its Supervisory Board, together with the Consolidated Annual Accounts and the Group Report, for the year ended December 31, 1992.
- To approve the payment of a dividend of DM 10 per DM 50 nominal share.
- To approve the actions of the Board of Managing Directors during the financial year 1992.
- To approve the actions of the Supervisory Board during the financial year 1992.
- To authorise the Board of Managing Directors to issue profit-sharing certificates, in an amount of up to DM 1 billion at any time up to April 30, 1993.
- To approve an affiliation agreement (Unternehmensvertrag) with a subsidiary of Commerzbank.
- To approve the termination of an affiliation agreement with a subsidiary of Commerzbank.
- To appoint new members of the Supervisory Board.
- To appoint C & L Treuhand Deutsche Revision as auditors for the financial year 1993.

Shareholders in the United Kingdom who wish to attend and vote at the Annual General Meeting should inform either the London Branch of Commerzbank AG at 23 Austin Friars, London EC2N 2EN, or S.G. Warburg & Co. Ltd., 2 Finsbury Avenue, London EC2M 2PA, who will make the necessary arrangements. Such notice should be given by April 30, 1993.

Copies of the German version of Commerzbank's 1992 Annual Report will be available shortly from both Commerzbank AG and S.G. Warburg & Co. Ltd. The English version is currently being prepared.

COMMERZBANK AKTIENGESSELLSCHAFT

To the Holders of the captioned Notes

Nippon Steel Semiconductor Corporation
(formerly NMB Semiconductor Co., Ltd.)

U.S. \$150,000,000

12% Guaranteed Notes due 1994

NOTICE IS HEREBY GIVEN that the Company's trade name has been changed from NMB Semiconductor Co., Ltd. to Nippon Steel Semiconductor Corporation with effect from 23rd March, 1993.

There will be no stamping or exchange of the Notes due to the change of the trade name, and the Company will keep its engagements regarding the payment of the principal and interest on the Notes.

The Notes remain listed on the Luxembourg Stock Exchange under their former denomination followed by the indication of the new one.

Nippon Steel Semiconductor Corporation
By: The Sumitomo Trust and Banking Company, Limited
London Branch as Fiscal Agent

Dated: 25th March, 1993

INTERNATIONAL COMPANIES AND FINANCE

Grim scenario for Crédit Lyonnais

Heavy provisions could push bank into the red, says Alice Rawsthorn

ANALYSTS are bracing themselves for gloomy figures next Monday when Crédit Lyonnais, one of Europe's biggest banks and France's most prominent state-controlled companies, publishes its 1992 results.

Mr Jean-Yves Haberer, Crédit Lyonnais' controversial chairman, has warned that 1992 was the group's worst year for two decades. Given that it suffered a loss of FF177m in 1974, the bank may have fallen back into the red last year.

Crédit Lyonnais barely broke even in the first half of last year after provisions of FF6.3bn (\$1.1bn), and Mr Haberer has warned that provisions will be even higher in the second half.

This grim scenario could not have come at a worse time. First, it could jeopardise Crédit Lyonnais' hopes of being privatised. It also poses a threat to Mr Haberer, who was appointed by the socialists in 1988 and risks losing his job if, as expected, the right wins power.

Mr Haberer has pursued an aggressive policy in terms of loans and international expansion in his five years at Crédit Lyonnais.

As a result, it has been much more vulnerable than its fellow French banks to the economic slowdown. Crédit Lyonnais is not only heavily exposed to the weakest areas of the French economy - small companies and commercial property - but also to a string of corporate catastrophes, including \$215m to Robert Maxwell's media empire and \$350m to the Olym-



Jean-Yves Haberer: chairman could lose his job if right wins poll

pia & York property group.

The most tortuous saga has been its involvement with the bid by Mr Giancarlo Parretti, the controversial Italian financier, for MGM, the Hollywood movie studio. Crédit Lyonnais has been left with a stricken film business, a string of lawsuits and persistent speculation that its final exposure will be higher than its official estimate of \$900m.

These "big hits" have been largely responsible for the steep increase in Crédit Lyonnais' provisions. The average level of provisions as a percentage of average loans has tripled in the past three years, to 1.6 per cent on an annualised basis for the first half of 1992, against an average of 1 per cent for the other big three French commercial banks.

Some aspects of Mr Haberer's strategy have worked, however. Crédit Lyonnais' French banking network is

still robust, mainly because of prudent cost-cutting. Its international expansion has also been successful, particularly in Spain and Italy. The group continued its growth last year by taking control of BIC Bank in Germany.

"There is no cause for concern on the domestic front," says Mr Chris Davis, European banking analyst at BZW Securities. "Crédit Lyonnais has held its own in a difficult market. It has also done well with its European network."

The critical question is how much longer will Crédit Lyonnais' results be clouded by write-offs on its loan portfolio? The answer is complicated by its refusal to release details about provisions, or even to specify whether it has finished writing down its exposure to "big hits".

"It is very difficult to tell

what is going on," says Ms Sheila Garrard, banking analyst at Shearson Lehmann in London. "But the French economy is still weak and it will take time for small businesses and commercial property to recover. We're likely to have more high provisions in 1993."

In theory, Crédit Lyonnais, alongside Banque Nationale de Paris, the other big state-controlled bank, should be one of the first candidates for privatisation by the new government. But the conservatives, were forced to postpone plans to float the bank in their last administration after the 1987 stock market crash, and will undoubtedly have to delay the sale.

"Crédit Lyonnais is not sellable in the near-term," says Ms Susan Sternglass, European banking analyst at Goldman Sachs. "It will have to wait until it can show that its loan book is in good shape and that it has real prospects for profits recovery. That could happen in 1994 if there are no more major corporate losses."

The other big issue is whether the conservatives will allow Mr Haberer to lead Crédit Lyonnais into the private sector. The arrival of a new administration is traditionally followed by the weeding out of old appointees.

Mr Haberer is undoubtedly vulnerable. He is seen as a socialist sympathiser, although he worked for conservative ministers in the 1960s and 1970s. Moreover, if the new government ousts him, Crédit Lyonnais' 1992 results will probably provide a suitable excuse.

Gerstner emerges as a leading candidate for top job at IBM

By Louise Kehoe in San Francisco and Nikl Tait in New York

MR LOUIS Gerstner, chairman of RJR Nabisco, the US food and tobacco company, has emerged as a leading candidate for the top job at International Business Machines amid rising speculation that IBM could shortly name a new chief executive officer.

RJR Nabisco declined to comment on reports of Mr Gerstner's impending departure yesterday. IBM also declined to comment on reports that have been circulating that Mr Gerstner has had several meetings with IBM's selection committee of non-executive directors.

The committee was formed in January when Mr John Akers, IBM chairman and chief executive, said he would step aside from the chief executive post following IBM's announce-

ment of \$4.9bn losses for 1992, the company's second consecutive annual loss.

As soon as IBM makes a final selection and reaches contractual agreements with a candidate, it will, under US securities laws, be required to make an immediate announcement. The lack of such an announcement suggests no final decision has been made.

Other potential candidates, including Mr John Sculley of Apple Computer, Mr Larry Bossidy of Allied-Signal and Mr George Fisher of Motorola, have issued statements saying they would not take the job.

The selection of Mr Gerstner would suggest that IBM's board has decided the company needs stronger financial controls rather than new technology leadership, since Mr Gerstner has no experience in the computer industry.

He was named as chief execu-

utive of RJR Nabisco in March 1988, shortly after the record \$25bn leveraged buyout of the food and tobacco giant.

Then 47, he moved to the company from American Express, which he had joined in 1978 as president of the card division, and risen to become chairman of the executive committee of the parent company in 1983, and then president in 1986.

Although Mr Gerstner has no direct prior ties to IBM, his brother, Mr Richard Gerstner, is a former IBM senior executive. He retired recently for health reasons.

Mr Richard Gerstner was succeeded in his last post at IBM as head of the computer company's personal systems division by Mr James Cannavino. Mr Cannavino is now seen as a likely choice for president of IBM, succeeding Mr Jack Kuehler.

Isosceles write-off helps push A&P to \$189m loss

By Nikl Tait

GREAT Atlantic & Pacific Tea Company, the US supermarket operator in which Germany's Tengelmann group holds a majority stake, reported a \$189.5m loss after tax in the year to February 27.

The loss contrasts with a \$70.7m profit in the previous 12 months, and comes on sales of \$10.5bn, down from \$11.6bn in 1991-92.

Much of the deficit is the result of a \$151.2m write-off of A&P's investment in Isosceles, the UK company which bought out Gateway in a leveraged deal, and a \$90.1m charge related to accounting changes.

However, even at the operating level, A&P posted sharply lower profits - down from \$208.5m in 1991-92, to \$44.3m last year.

In the final quarter of the year, A&P said it saw "a rever-

sal of the company's previous sales decline, particularly in Canada".

It added that it had begun "its new financial year with an improving sales and bottom-line performance".

Nevertheless, the company still reported a \$40.1m loss after tax in the first three months, compared with a \$16.1m profit in the same period a year earlier.

The operating profit fell to \$18.9m from \$46.4m.

Final-quarter sales were \$2.38bn, compared with \$2.74bn.

Shawmut National, the US bank, is to acquire New Dartmouth Bank of Manchester, New Hampshire, for about \$143m in an exchange of stock, agencies report.

The bank said that the deal was expected to increase its earnings per share in the fourth quarter.

Turnover drops 6% at Siemens Nixdorf

By David Walker in Frankfurt

TURNOVER at Siemens Nixdorf Informationssysteme, the loss-making German computer company owned by Siemens, dropped by 6 per cent to DM4.5bn (\$2.76bn) in the first five months of its financial year.

Mr Hans-Dieter Wiedig, chief executive, yesterday blamed troubled conditions in the company's foreign markets for the drop, together with the upwards valuation of the D-Mark, which accounted for one-third of the fall in turnover in the five months to the end of February.

The sales downturn reflected poor conditions in Italy, Spain and France.

In the UK, however, order

intake increased by 15 per cent in the five months. Sales in Germany had remained virtually steady.

Mr Wiedig said the number of employees had fallen by 1,700 since the beginning of the financial year and was set to drop by a further 3,200, to around 44,000 by the end of the year.

He did not comment directly yesterday on the outlook for the company's profit and loss account.

In November last year, Siemens Nixdorf said it expected a further reduction in losses in 1992-93, after reporting a net deficit of DM513m in the year to September, down by 34 per cent on 1990-91.

Turnover for last year rose by 7 per cent to DM13bn.

SHANGHAI VACUUM ELECTRON DEVICES CO., LTD.
NOTICE OF ANNUAL SHAREHOLDERS' REPRESENTATIVES GENERAL MEETING

Notice is hereby given that the annual shareholders' representatives general meeting of Shanghai Vacuum Electron Devices Co., Ltd. (the "SVEC") will be held at end of April 1993 in Shanghai.

The meeting is for the following purposes:

1. To receive and consider the annual reports of the directors and the proposed working plans for the year 1993.
2. To receive and consider the financial statements for the year 1992 and the proposed budget for the year 1993.
3. To receive and consider the dividends plan proposed by the directors.
4. To amend the articles relating to the qualification of a natural shareholder's representative and other articles.
5. Others.

Identity of shareholders will be conclusively determined by reference to the record of shareholders in Shanghai Securities Exchange on 26th March 1993.

- A. Shareholders' Representatives Register
- B. Any shareholder who holds 30,000 shares (par value 100RMB) or more is asked to go to the Meeting Secretary Office from 8th April to 10th April to register by presenting the stock certificates and an identity card. Shareholders might also send letters or facsimiles to the Meeting Secretary Office for register.
- C. For shareholders holding less than 30,000 shares, one representative can be nominated jointly through consultation for every 30,000 shares between them, alternatively they may entrust their voting right to a shareholder's representative to act on their behalf or directly expressing their opinions relating to the aforementioned purposes in writing.

D. Address of the Meeting Secretary Office
Room 2001, Building No. 2,
95 Ji-Mo Road, Pudong New Area,
Shanghai 200120, China

Tel: 86-21-8842216
86-21-8872391
Fax: 86-21-8841212

Shareholders' representatives will be advised of the specific location and time of the General Meeting in writing, by phone or by facsimile.

E. The NOTICE includes the financial statements 1992 (Abstract)

THE CERTIFICATE OF AUTHORISATION

Hereby I entrust Mr.(Ms.) _____ as my representative to attend the Shareholders' Representatives General Meeting of SVEC and be (able) has the voting right to act on my behalf	
Shareholder's Certificate Number	
Shareholding Amount	
Shareholder's Signature	
Shareholder's Address and Telephone Number	
Date	

THE FINANCIAL STATEMENT OF SVEC 1992 (Abstract)

SVEC uses "China Foreign Investment Enterprises Accounting System" as its accounting principles. The financial year is from 1st January 1992 to 31st December 1992. The Company consolidates its financial statements with its two subsidiaries, Shanghai Novel Colour Picture Tube Corporation Ltd and Zhu Hai Sheng Guang Electron Co., Ltd. SVEC owns these two subsidiaries 55 percent interest and 52.907 percent interest respectively.

Consolidated Balance Sheet At 31st December 1992	RMB	Consolidated Profit and Loss Account For the year ended 31st December 1992	RMB
Current assets	1,218,288,500.41	Turnover	1,024,036,462.92
Fixed assets	1,179,102,085.85	Profit before taxation	110,258,697.93
Long-term investments	58,517,722.43	Taxation	(2,876,446.35)
Other assets	63,100,547.60	Profit before minority interest	99,462,321.16
Total assets	2,345,908,853.79	Minority interest	(26,550,927.78)
Current liabilities	834,409,040.47	Profit attributable to shareholders	72,911,393.40
Long-term liabilities	730,750,444.38		
Total liabilities	1,565,159,484.85		
Interests in subsidiary companies	181,078,231.21		
Share capital	300,000,000.00		
Reserves	399,856,537.93		
Retained earnings	72,911,393.40		
Total shareholders' equity	772,767,931.33		

ANNOUNCEMENT

Announcement is hereby given that the directors of Shanghai Vacuum Electron Devices Co., Ltd. (the "Company") decide to carry out the resolutions relating to bonus issue and rights issue which were approved by the Shareholders' Representatives General Meeting on 14th October 1992. The resolution has obtained approval recently from the Office of Shanghai Securities Management Committee. The terms of resolutions are as follows: a 7 rights shares for every 10 existing shares of 1 RMB each (hereby the same), including state shares and B shares; 1 bonus share for every 10 existing shares. The total rights shares will be 210,000 and total bonus shares will be 21,000. Following completion of the bonus issue and the rights issue, the Company's total share capital will increase from 300,000,000 to 340,000,000 (including the rights share number for the state shares and B shares). The proposed dividends for the year 1992 is 0.20 RMB per existing share (including the payable individual income tax), which will be sent for approval by the Shareholders' Representatives General Meeting to be held next month. The announcement includes general information about the Company and regulations relating to the Bonus Issue and Rights Issues. The directors of the Company will take all responsibilities for the accuracy of the announcement. The announcement has been sent to the following regulatory authorities: 1. Shanghai Securities Management Committee; 2. Shanghai Securities Exchange ("SSE").

- The Company's Name, Registered Address and its Legal Entity Representative
- Name: Shanghai Vacuum Electron Devices Co., Ltd.
- Registered Address and Head Office: 4th floor, Building No. 2, 95 Ji-Mo Road, Pudong New Area, Shanghai, 200120, P.R.C.
- The Legal Entity Representative: Xue Wei Hai.

II. The Company's General Information
The Company was incorporated in January 1987. Its original share capital was 200,000,000 RMB consisting of 148,910,000 state shares and 51,090,000 public issued shares. In November 1991, the Company received approval to issue 100,000,000 RMB B shares of 1.0 RMB each, the share capital increased to 300,000,000 RMB, among which 21.3% was foreign shareholders' equity. In January 1992, the Company was certified as a Sino-Foreign joint venture shareholding company. The head office was relocated to Shanghai Pudong New Area enjoying many preferential policies offered by the area.

III. Financial Statements

Assets unit: ten thousand RMB	1990	1991	1992
Total Assets	116,900.49	142,067.37	251,900.89
1990	116,900.49	87,184.42	29,716.07
1991	142,067.37	113,081.71	29,985.66
1992	251,900.89	162,515.95	89,384.94

IV. Use of Proceeds

The proceeds of the rights issue will be used to adjust the Company's product mix and improve the Company's technology. The Company will develop those products which are in demand at home and abroad, such as Black and White Monitor Tubes, Colour Monitor Tubes, Electron luminescent Display Devices, STM Liquid Crystal Display Devices, Microwave equipments, Satellite Receivers, Hi-Fi Audio Products, etc. Those developments will enhance the Company's profits and shareholders' benefits.

V. Requested Profits for the next three years (unit: ten thousand RMB)

	1993	1994	1995
Turnover	110,000	140,000	200,000
Profit after tax	9,000	12,000	14,000

VI. Underwriting Arrangement:

1. The Underwriter: Shanghai Shenyin Securities Company.
Address: 631 Wei Hai Road, Shanghai.
Legal Entity Representative: Guo Zhi Dong
2. Underwriting Method:
The Company authorizes the Underwriter to underwrite the rights shares to the existing shareholders by means of commitment. After the record date of the rights issue, the unsubscribed portion of the rights shares will be sent back to the Company.

VII. The Numbers of Rights Issued and Bonus Issue:

1. New shares of rights issue and bonus issue:
One new share of bonus issue and 7 new shares of rights issue will be offered for subscription to the existing 10 shares of qualifying shareholders. After subscribing 10 existing shares will be 13 shares.
2. Issue Price of Right Share (par value 1 RMB) 3.6 RMB

VIII. The Procedure of Rights Issue and Bonus Issue

1. Only Qualified Shareholder is entitled to the rights issue and bonus issue. The Qualified Shareholder refers to the shareholders appearing on the register of shareholder of the Company maintained by the SSE on the Qualifying Day (26 March 1993).
2. The bonus shares will be registered to the Qualified Shareholders on their share accounts automatically by the SSE, the day before Qualifying Day (26 March 1993).
3. Record Date and commencement of trading for the bonus issue: 29th March, 1993
4. Record date for the rights issue: 29th March, 1993
5. Payment date for the rights issue: 29th March, 1993 — 12th April, 1993
6. At the end of the payment date for the rights issue, if any qualified shareholder has not subscribed for the rights shares, his entitlement under the rights issue would be given up automatically.
7. At the time of subscription of rights shares, the subscriber should provide his identity card and share accounts.
8. The date for commencement of trading for rights shares will be noticed by SSE.
9. According to the resolution approved at the Shareholders' Representatives General Meeting on 14th October, 1992, the bonus shares and the rights shares will not have attached to them any entitlement to dividends payable in respect of the financial year 1992. The qualifying date for the rights issue and the bonus issue (26th March, 1993) is also the register date for the entitlement for the dividends for the financial year 1992.
10. Payment of rights shares for B shares should be spot currency in US dollars, the rate of exchange between the US dollar and RMB of the price of the Rights Share is the "RMB to US Dollar weekly weighted average conversion rate" as quoted by the Shanghai Foreign Exchange Transaction Centre for the calendar week immediately preceding the first day (26th March, 1993) of the Rights shares subscription period. The price for the Rights share is US\$0.44 Dollar.
11. The interpretation of the ANNOUNCEMENT lies with the Board of Directors of the Company Shanghai Vacuum Electron Devices Co., Ltd.

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US\$ 150,000,000
Floating Rate Debentures, Series 7, due 1998

In accordance with the Description of the Series 7 Debentures, notice is hereby given that for the six month Interest Period from March 23, 1993 to September 23, 1993 the Series 7 Debentures will carry an interest rate of 5 1/4% per annum.

The Coupon Amount payable on the Series 7

Debentures of US\$ 25,000

will be US\$ 670.83

The Reference Agent
Kreditbank
Luxembourg

CREDIT LOCAL DE FRANCE
FRF 550,000,000
CAC 40 INDEX-LINKED ZERO COUPON BONDS
DUE 2000

Notice is hereby given to the Bondholders that, pursuant to the Terms and Conditions of the Bonds, Condition 4, "Redemption and Purchase" (C)

"Redemption Amount"

"M1" (term of the formula for calculation of the Redemption Amount payable per bond on February 4, 2000 and of the Early Redemption Amount, as the case may be) is equal to 0.0057 in accordance with the following formula:

$R1 = CAC1 + CAC0$

where "CAC 0" = 1,831 and "CAC 1"

on January 4, 1993 = 1,841.44

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FT SURVEYS

INTERNATIONAL COMPANY NEWS AND CAPITAL MARKETS

Jardine Matheson rises 17% as HK performs strongly

By Simon Davies
in Hong Kong

JARDINE Matheson, one of Hong Kong's oldest trading conglomerates, yesterday reported a 17 per cent increase in net profits to US\$316.8m for the 1992 fiscal year, up from \$270.8m in 1991.

The Hong Kong operations performed strongly, particularly in car sales and financial services, but group earnings were pulled down by the performance of its Japanese businesses.

Earnings from north-east Asia fell to \$25.1m from \$61.5m, as a result of falling sales of wines and spirits in Japan and the impact of the depressed Tokyo stock market on Jardine Fleming, the group's 50 per cent owned investment concern.

Jardine was recently the target of a denunciation by China, which claimed the former opium trading company was a "bad element in Hong Kong's business community".

Mr Nigel Rich, managing director, said Jardine Matheson would continue to expand its businesses both in Hong Kong and China, pointing out that the "group has traded in China for more than 50 years, and has been through difficult times before". Jardine Matheson is planning to expand its retailing and distribution businesses across the border, but so far the contribution from China is minimal.

Net profits were lifted by a \$21.6m fall in tax as a result of



Nigel Rich: plans further expansion in China

previous over-provisioning. Pre-tax profits from Jardine Pacific, which includes the group's trading, distribution and construction businesses, increased by \$31m to \$228.7m, helped by a 156 per cent jump in profits from motor trading subsidiary Jardine International Motors.

Jardine Fleming's earnings were hit by a sharp fall in profits from UK-listed Jardine Insurance Brokers. Jardine Strategic, the 52 per cent owned investment holding company which controls Dairy Farm, Hong Kong Land and Mandarin Oriental, contributed \$367.1m, up from \$333.8m in 1991.

Jardine Matheson will pay a final dividend of 15 cents, making a full-year payout of 18.7 cents, up 14 per cent from 1991.

JVC to sell stake in video unit to UK group

VICTOR Company of Japan (JVC), the Japanese consumer electronics group, has agreed to sell half of its 50 per cent stake in CIC Video Video to CIC-Video of the UK in April, Reuters reports from Tokyo.

The sale gives CIC-Video 75 per cent of CIC-Video Video, a joint venture of MCA and Paramount Communications, which markets video tapes in Japan of films made by the two US film studios.

DBS Land, a Singapore property group, posted a 14 per cent rise in net profits to S\$58.2m (US\$36.4m) for 1992 from S\$50.9m the year before, AP-DJ reports from Singapore.

Turnover advanced 17 per cent to S\$309.7m from S\$265.5m. Earnings per share rose 14 per cent to 9 cents from 7.9 cents and the dividend is maintained at 5 cents a share.

Nissin Chemical Industries and Sumitomo Chemical, two Japanese chemical groups, are to set up a joint venture with Rhône-Poulenc, a French chemicals group, Reuters reports from Tokyo.

The venture, yet to be named, will be launched in Lyons to develop and sell agricultural chemicals in France. It will be 60 per cent owned by Sumitomo, 30 per cent by Nissin Chemical and 10 per cent by Rhône-Poulenc and aims at sales of FF1.80m (\$32.1m) a year.

Singapore Aerospace, the aircraft maintenance group, unveiled net profits of S\$24m (\$15m) for 1992, up 13 per cent on the previous year's S\$21.2m, AP-DJ reports from Singapore.

The directors expect profits to advance at a similar rate in 1993. Sales rose 13 per cent in 1992 to S\$421.5m from S\$373.8m.

The dividend is being maintained at 2.5 cents a share on earnings per share 13 per cent ahead at 8 cents against 7.1 cents.

China's regulators face an unenviable task

Tony Walker and Diedre Nickerson look at Beijing's attempts to impose market order

CHINA'S unruly and virtually unregulated stock markets must present an alarming picture when viewed from Beijing, where the heavy hand of officialdom is perhaps most visible.

Indeed, a member of the leadership was quoted recently in an official publication as describing China's stock markets in the southern economic region of Shenzhen and in Shanghai as among the world's most risky. He warned that unless stock market fever was restrained it would "doubtlessly impose an increasingly negative impact on the country's economic reform and economic development".

Foreign lawyers, bankers and representatives of international institutions such as the World Bank and International Monetary Fund have been urging the promulgation of a new securities law and regulations governing the operations of the stock markets.

Mr Jerome Cohen, an authority on the Chinese legal system, said that while such regulations were indispensable to the creation of a successful capital market, of even more importance was the ability of supervisory bodies to transform "legislative language into living reality".

This, he observed, would not be an easy task, and would require greatly strengthened legal institutions, including not only the courts, the procur-

acy and legal profession, but also relevant government supervisory agencies.

In contrast, attitudes among Chinese officials, charged with advising the central authorities on a new securities law and other regulations, seem, in some cases, remarkably insouciant about the dangers of a South Sea Bubble crash in China's fledgling markets.

Trading volume in A shares, for local Chinese, and B shares, for foreigners on the Shanghai and Shenzhen exchanges, exceeded Yn100bn (\$17.2bn), last year, compared with just Yn10bn in 1991. This is extraordinary growth by any standards: 50 companies were listed at the end of the year, against 15 at the beginning.

Last October, the State Council, or cabinet, announced the establishment of a Securities Policy Committee (SPC), involving representatives of 14 entities, including the People's Bank, China's central bank, and a Securities Regulatory Commission (SRC) to advise on securities-related matters.

These bodies were charged with strengthening macro-control of the markets. But doubts persist as to the likely effectiveness of the national SRC, given difficulties of co-ordination among the multitude of bureaucratic institutions involved in the regulatory process and certain resistance from increasingly independent regional authorities.

The SRC and SRC have been advising a special securities law drafting committee which recently circulated a 131-article proposed law, covering the gamut of equity securities issues from insider trading to the operations of futures markets and the establishment of securities companies and investment funds.

Among criticisms of the draft is that while it includes penal provisions, it is weak on arrangements for enforcement - a responsibility of the SRC. The law is restricted to equities. It is unclear when national regulations dealing with debt securities might emerge.

SRC officials say that stock exchange regulations should be published within a few months and the securities law by later this year. However, the pattern has been for all Chinese commercial laws and regulations to encounter repeated delays as various elements of the sprawling bureaucracy chew over the details.

One of the SRC's most important tasks will be creating regulations, including rules of disclosure, for initial public offerings. These regulations will apply to Chinese companies seeking a stock market listing outside China. This is an especially vexed issue in the Chinese leadership at present because of the Bermuda-registered Brilliance, a Chinese-for-

sign joint venture, which was floated on the New York stock exchange last October - the first such example of a Chinese company listing offshore.

Mr Zhu Rongji, China's vice-premier in charge of the economy, has decreed that in future any new listings must receive his approval and be restricted, for the time being, to the Hong Kong exchange.

Some Chinese companies, including Shanghai Petrochemical and Qingdao Brewery, are working towards Hong Kong listings. But foreign lawyers and accountants familiar with these cases say they are proving inordinately complex because of difficulties in valuing assets, establishing the full extent of liabilities and any one of a dozen or more requirements for the issuing of prospectuses to comply with international standards.

Another of the SRC's responsibilities will be to regulate over-the-counter (OTC) trading under the Securities Automatic Quotation System, a nationally-based computer-linked arrangement, that is some way yet from being up-and-running. In the meantime, OTC trading is a fast-spreading phenomenon throughout China with the coastal city of Tianjin a particular focus.

Control of this form of "off-the-board" equities trading may well provide the SRC with some of its biggest headaches.

OTC trading, which was designed as a means of state

companies rewarding employees with bonuses in the form of stock, has spiralled to the point where business transacted in Tianjin, some of it in the street where marketmakers scrawl prices on blackboards, is believed to have exceeded trading on the Shenzhen and Shanghai exchanges combined.

The estimated figure for shares traded on the OTC or secondary market for China was in the order of Yn170m but this almost certainly understates the volume.

Not surprisingly, given the speculative frenzy that prevails in a China starved for so long of real investment opportunities, the clamour from regional capitals for their own stock markets has been almost deafening. China's leaders have rejected these demands, and proposed instead that provinces should select a maximum of three local companies for listing on the Shenzhen and Shanghai exchanges.

China's securities regulators facing the fairly menial task of trying to impose order and encourage responsible self-regulation, are certain to have been reminded of the dictum of supreme Chinese leader, Mr Deng Xiaoping: "Cross the river by feeling the stones," he once observed.

The problems for the SRC and its associate organisations is that the river is flowing swiftly and the stones on the bottom are by no means secure.

Foodcorp improves in first half

By Philip Gosselin
in Johannesburg

FOODCORP, the food processing subsidiary of GenCorp's manufacturing arm, Malbek, overcame difficult trading conditions to post real earnings growth in the six months to the end of February.

Foodcorp, one of three leading food groups in South Africa, was formed last April when Malbek reorganised its food interests by merging Fed-food and Kanhyam.

Comparing Foodcorp's results with the combined Fed-food-Kanhyam performance in

the same period last year, turnover rose by 8 per cent to R1.3bn (\$406m) from R1.21bn. Lower finance costs offset a decline in operating income, so pre-tax profits were unchanged at R72m. A lower tax bill helped lift attributable profits to R66m from R40m.

Earnings per share rose by 14 per cent to 96 cents from 83 cents, but the dividend was cut to 23 cents from 34 cents per share in line with a new policy that dividends should in future be paid on a 40:60 interim to final ratio.

Mr Dirk Jacobs, chief executive, said the first half had

been characterised by weak consumer demand resulting in lower volumes and tighter margins as selling prices could not be increased to compensate for higher input costs. Rationalisation benefits and productivity improvements had allowed margins to be maintained.

Mr Jacobs said the market for the group's products was likely to remain depressed for the rest of the year.

However, he forecast that the rate of earnings growth achieved in the first half would be maintained for the full year.

Shake-up at Australian mutual life association

NATIONAL Mutual Life Association of Australia is to restructure its Australasian insurance operations to cut costs and improve service, Reuters reports from Melbourne.

National Mutual, Australia's second-largest life office, said it would reduce duplication, provide a flatter management structure, and reduce the size of the head office.

Mr Geoff Tomlinson, managing director, said the number of redundancies could not be predicted. The unlisted com-

pany cut staff by 10 per cent to 6,600 people in the year to September 30 1992.

Mr Tomlinson said National Mutual aimed to make each of its profit centres as autonomous as possible and commit each to meeting a reasonable profit target.

He said Australasian insurance would be split into five profit centres and four support units.

National Mutual lost A\$46.8m (US\$31.7m) in 1991-92, the first year it published audited profit figures.

New World advances 48%

By Simon Davies

NEW World Development, the Hong Kong property development and hotels group controlled by Mr Cheng Yu-tung, yesterday reported a 48 per cent increase in net profit to HK\$1.39bn (US\$181m) for the six months to December 1992, up from HK\$939m in the previous year.

The bulk of earnings growth came from property sales,

which contributed HK\$961m to operating profit, up from HK\$454m in 1991. Rental income showed a slight decline, due to the sale of several floors of the Convention and Exhibition Centre, in Wanchai. However, average occupancy stood at 86 per cent.

The company declared an interim dividend of 25 cents per share, up from 21 cents in 1991.

NOTICE OF PURCHASE

EUROPEAN INVESTMENT BANK
JPY100,000,000 6.625%
Notes Due 15th March 2000

Pursuant to the terms and conditions of the Notes, notice is hereby given to Noteholders that during the twelve month period ending 15th March, 1993, no purchases have been made in the open market for this issue.

As of 15th March, 1993, the principal amount of such Notes remaining in circulation was JPY 94,900,000,000.

EUROPEAN INVESTMENT BANK
By: Morgan Guaranty Trust Company
as Fiscal Agent

Luxembourg, 25th March, 1993

US \$900,000,000

L'Auxiliaire du Crédit Foncier de France
Subordinated Guaranteed Floating Rate Notes due 2002

For the period from March 28, 1993 to September 27, 1993 the Notes will carry an interest rate of 8% per annum with an interest amount of US \$129.17 per US \$5,000 and of US \$5,000.55 per US \$100,000.

The relevant interest payment date will be September 27, 1993.

Agent Banks:
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Subordinated Variable Rate Notes with a maturity of 12 years

Notice is hereby given that for the three months interest period from March 23, 1993 to June 23, 1993 (92 days) the Subordinated Notes will carry an interest rate of 6.7525%. The interest payable on June 23, 1993 for the Subordinated Notes will be £170.45.

By: The Chase Manhattan Bank, N.A.
London, Principal Paying Agent

March 25, 1993

Can. \$125,000,000

Credit Local de France
Subordinated Collateral Floating Rate Notes due 2002

For the interest period from March 25, 1993 to September 27, 1993 the rate has been determined at 6.125% per annum. The amount payable on September 27, 1993 per Can. \$10,000 and Can. \$100,000 principal amount of Notes will be Can. \$712.12 and Can. \$7,121.23 respectively.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

March 25, 1993

U.S. \$100,000,000

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Guaranteed Floating Rate Notes Due 2000
Unconditionally guaranteed by

Bangkok Bank Limited
(Incorporated with limited liability in the Kingdom of Thailand)

Notice is hereby given that the interest payable on the relevant Interest Payment Dates, April 21, 1993 for the period October 21, 1992 to April 21, 1993 against Coupon No. 16 in respect of US\$10,000 nominal of the Notes will be US\$265.43.

March 25, 1993, London
By: Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK

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NOTICE TO SHAREHOLDERS

The following Resolutions were passed at the Ordinary General Meeting on 17th March, 1993:-

- A dividend of Frs. 10.00 per share of Frs. 100 nominal for the year ended 31st December, 1992 was declared payable from 26th March, 1993.
- Each shareholder should be given the choice to be paid their dividends in shares. The options will be open to shareholders between 26th March and 23rd April inclusive. Following the shareholders meeting, the price of the new shares have been established at Frs. 424. If the option is not taken up by 23rd April, the dividends will be paid in cash on 12th May. However, shareholders will have the opportunity to have their dividends paid in cash as from 26th March, by irrevocably declining to take up their share payment option.

Residents of the United Kingdom will receive Frs. 7.50 per share of Frs. 100 nominal.

Settlements of Additional Payments:-

Under the terms of the Double Tax Convention between France and the United Kingdom, residents of the United Kingdom will receive, subject to the completion of Form R44-GB, on or after 26th March, 1993 an additional Frs. 5.25 per share thus increasing their dividend to Frs. 12.75 per share.

Holders may, however, submit Form R44-GB at any time up to 31st December, 1994.

Payments will be subject to deduction of United Kingdom Income Tax at the standard rate of 25%.

Claims should be lodged with:-
S.G. WARBURG & CO. LTD.,
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Société Générale,
60 Gracechurch Street, London EC3V 0HD

from whom claim forms and further information can be obtained.

Copies of the Annual Report and Accounts will be available in French and in English on application to S.G. Warburg & Co. Ltd.

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ATREUS PLC

Placing and Public Offer by Sheppards
Result of Offer for Sale of 16,250,000 Shares and Basis of Allocation

A total of 6,786 applications for 90,330,636 shares were received.

As part of a priority application procedure 1,825,000 shares were reserved for existing shareholders of URS International and applications totalling 5,311,486 shares were received in respect of this offer. The basis of allocation for these priority applications is as follows:

Application	Basis of Allocation
Up to 1,500 shares	In full
In excess of 1,500 but not exceeding 5,000 shares	1,500 shares
In excess of 5,000 shares	Approximately 28.2% of the shares applied for

In respect of the Public Offer applications for a total of 85,019,150 shares were received and the basis of allocation is as follows:

Application	Basis of Allocation
Up to 2,500 shares	Ballot for 500 shares
In excess of 2,500 but not exceeding 5,000 shares	Ballot for 1,000 shares
In excess of 5,000 but not exceeding 14,000 shares	20% of the shares applied for
In excess of 14,000 but not exceeding 250,000 shares	19% of the shares applied for
In excess of 250,000 shares	No allocation

It is expected that Renounceable Letters of Acceptance will be posted to successful applicants on Thursday, 25 March 1993 and that dealings in the new shares of Atreus will commence on Friday, 26 March 1993.

25 March 1993

COMPANY NEWS: UK

Provisions mar 'fine performance' by UK construction side

Amec deficit accelerates to £88m

By Andrew Taylor,
Construction Correspondent

AMEC, the UK construction, engineering and property group, announced provisions of £114.6m resulting in a £87.5m pre-tax loss for the 12 months to December 31.

That compared with a £13.1m deficit last time. The 1991 results, which included provisions of £69.4m, were recalculated in line with the FRS3 accounting standard.

The final dividend is cut from 6.25p to just 1p, making a total of 3p (10.25p) for the year. The latest provisions included almost £34m of write-downs caused by problems with cladding on a Brighton office development block and the redevelopment of the Trocadero redevelopment in central London.

The group also reported a £14.3m loss, mainly in Australia, where it has previously reported write-downs on hotel, shopping and office developments in Sydney and Melbourne.

Sir Alan Cockshaw, chairman, said the provisions had marred an otherwise fine performance by the UK construction division. Senior management involved in the Brighton and Australian developments had been changed, he pointed out.



Sir Alan Cockshaw: Appropriate action taken to put things right

"We are not happy about this situation but have taken the appropriate action to put things right," he said.

Amec has written down by £18m its one fifth stake in Power Corporation, the Irish property group which took over full responsibility for redeveloping the Trocadero site after its joint venture partner, Brent Walker, ran into trouble.

Receivers were appointed earlier this year to the five Power subsidiaries responsible for the Trocadero redevelopment. The write-down on the Brighton development totalled £15.5m.

Amec in addition has written down by £63m the value of land and work in progress of its housing and commercial property operations.

These produced an operating

loss of £17.1m (£10.1m loss) before provisions. Overseas operations, following setbacks in Australia and the US, incurred a £13.7m loss compared with a £1.1m profit.

UK contracting profits by comparison were only 10.7 per cent lower at £55.1m (£61.7m). Sir Alan said this was an excellent performance in a difficult market.

COMMENT

There was no surprise at the size of the provisions which had been widely forecast and Amec's share price rose 5p to 81p despite the scale of the loss. The company has been honest about its mistakes and the market appears to have accepted that these have been caused by isolated management aberrations rather than by a general corporate malaise. The UK contracting business has performed well and mechanical and electrical margins, excluding the Australian problems, remain good. The lack of a quality housing operation detracts from what otherwise is an excellent range of businesses. Profits of £52m would put the company on about 10 times earnings which does not do justice to the quality of the construction business but reflects the lack of housing recovery potential.

Mitchell family cuts Wimpey stake to 5%

By Andrew Taylor,

A 70-year link between the Mitchell family and George Wimpey was loosened yesterday when Grove Charity Management raised more than £110m from selling a 29 per cent stake in the construction group.

The 84.3m shares were placed with a wide number of institutions by SG Warburg Securities and Cusumova.

Wimpey's share price, which fell by 4p following the announcement to 142p, has more than doubled since its low of 67p last September.

The charitable trust was established in 1955 by Sir Geoffrey Mitchell, who bought Wimpey, a west London stone mason, for £3,000 in 1919.

Grove will remain Wimpey's largest shareholder, with a 5 per cent stake.

Mr Joe Dryer, Wimpey's chief executive, said yesterday that he had been aware for 18 months that the trust wanted to widen its investment portfolio.

The placing would make it more difficult for a predator to mount a takeover bid, as the shares would be more widely held.

"The rules governing charitable trusts meant that if it had received an attractive offer for all its shares it would have been required to sell in the best interests of the beneficiaries," said Mr Dryer.

The trust provides funds for a wide range of UK social and welfare projects. It controls investments worth about £270m, of which the Wimpey stake formerly represented about 40 per cent.

Trustees include Mrs Mary Graves and Mrs Helen Dunwell, Sir Sir Geoffrey's daughters. Dr Desmond Graves, husband of Mrs Mary Graves, will remain on the Wimpey board.

Seven years ago the trust reduced its 49.9 per cent stake to 34 per cent. It said it had no intention of reducing its stake below 5 per cent.

The disposal, however, may make it easier for Wimpey to issue equity to raise cash, should it eventually consider this necessary.

Blenheim optimistic after achieving £49.7m

By Angus Foster

BLENHIM GROUP, the exhibition organiser, yesterday forecast an "excellent" year to come after announcing slightly higher than expected profits.

Pre-tax profits totalled £49.7m in the 16 months to December 31. Profits for the 12 months to August 31 last year amounted to £37.3m.

The company decided not to adopt accounting standard FRS3 because of a change in the financial year end.

Mr Neville Buch, chairman, said Blenheim continued to perform well. He said the company's large, established exhibitions had weathered recession in its main markets like the US and France.

Turnover was £238.1m, compared with £122.2m, including a £13.5m contribution from Batimat, the biannual French building supply exhibition held in November 1991.

Gross and operating profit margins fell slightly, partly because of large events were

held in the last few months while overheads remained steady. The company was also affected by higher than expected inflation in Germany, Mr Buch said.

There was an extraordinary charge of £11.7m to cover losses on the disposal and closure of the Belgian and Swiss companies. The charge covered goodwill previously written off through reserves.

About 90 per cent of profits came from outside the UK. Because the company uses year-end exchange rates, sterling's fall in value led to a £4m exchange gain. However, this was balanced by a large increase in debtors and Mr Buch said there was "very little" currency gain in the figures.

The company had decided to adopt average exchange rates from this year, he said.

Earnings per share were 36.9p, against 34.1p, while a recommended final dividend of 3p makes a 12p (7.83p) total.

COMMENT

Not too much should be read into these figures, which are inconclusive because of the change in year end. But the company's optimistic statements, and the fact the shares are tightly held so can over-react, pushed the shares up 6p to 80p. The figures did contain some pointers. A £3.5m pre-tax profit from trade magazines and catalogues was promising. The episodes in Belgium and Switzerland were not, although shareholders will be relieved Blenheim realised its mistake quickly. For the coming year, comparisons will remain difficult because of the timing of biannual events. Analysts will want to see if Blenheim can maintain its margins and push through some price rises. With last year's currency gains sailed away in case times get tougher, the company should meet forecasts of £47m this time. A rating of 18 times looks demanding for a company still to prove it can maintain momentum now it is maturing.

Barratt makes 92% surge to £4.8m

By Andrew Taylor

SIR LAWRIE Barratt, brought out of retirement 21 months ago to rescue Britain's third largest housebuilder, yesterday proposed to increase the company's output by almost two-thirds during the next three years.

Barratt Developments, which announced a 92 per cent jump in pre-tax profits to £4.8m (£2.5m) in the six months to December 31, said there were clear signs that the UK market was beginning to revive after four years of recession.

The company wants to increase the number of homes it builds from 5,000 in the current year to 8,000 by 1995.

It said it would finance expansion from within its own

resources, without resorting to a rights issue and keeping gearing to less than 50 per cent.

Since Sir Lawrie returned in July 1991, the company has cut net debt from £255m to just £81m at the end of December, including off-balance sheet borrowings. This was equivalent to 44 per cent of shareholders funds of £184m.

The biggest contribution to the first half profits improvement was reduced interest payments, which fell from £9.5m to £4m. Of this about £1.1m was due to lower interest rates and £4.8m to reduced debt.

Sir Lawrie said that net reserves had risen by about 15 per cent compared with the first three months of last year. This was despite the fact that Barratt was operating from

considerably fewer sites than a year earlier.

UK profits rose from £6.3m to £7.5m, despite the number of houses sold dipping from 2,126 to 2,017. Group turnover fell from £209.7m to £174m, of which the UK accounted for £164m (£190m).

The US incurred a £2.7m loss in the first half with the group continuing to experience problems in a depressed Californian market.

The group was seeking to get better value out of its Californian operations by introducing similar management to those which had turned round the UK business, Sir Lawrie said.

The interim dividend is restored at 1p. Earnings per share increased from 1.4p to 2p.

COMMENT

Barratt shares, which have had a good run recently, fell 3p to 133p yesterday. There was some disappointment that the housing recovery, reported by other housebuilders, was not more in evidence and some brokers downgraded profit expectations for the full year.

The group will also need to step up its land holdings of 18,500 plots with planning permission to about 16,000 if it is to meet its three year sales target.

Sir Lawrie and chief executive Frank Eaton, however, have done a tremendous job in turning round the UK business. But the shares are on a prospective multiple of more than 17 on forecast profits of £18m and have probably run their course for the time being.

lower than before, but from November they tended to move forward and this trend has continued into the second half.

The vehicles division returned £15m (£10.1m) profits on turnover of £22.5m (£20.7m). Sales are lower in the first half of the year.

The group reported losses on its LTI Homer sub-assembly business and the continued failure of Fairway Nissan, the car dealership, to break even.

The Deans Powered Doors division returned to profits of

By Andrew Bolger

AMERICAN INTEREST in sex and British enthusiasm for gardening helped boost interim profits at Dorling Kindersley, the publisher of illustrated reference books which was floated in October.

However, shares in the group fell 41p to 264p after it said that trading conditions for children's books had become more competitive in America and it would stop sales to US warehouse clubs. The shares had risen strongly from their flotation price of 165p, which valued the group at £102m.

Group pre-tax profits rose 21 per cent to £4.2m for the six months to December 31, after charging £200,000 for flotation costs. Sales improved 20 per cent to £26.8m.

There was strong US demand for two sex books - Anne Hooper's Ultimate Sex Guide and The Magic of Sex by Dr Miriam Stoppard - which sold 70,000 copies each.

UK readers bought 99,000 copies of The Royal Horticultural Society Encyclopedia of

Gardening in its first season, in spite of the book's £30 price tag. The similarly priced companion RHS Encyclopedia of Plants and Flowers has sold more than 1.1m copies worldwide, in spite of being published in 1988, generated more than £1.1m of turnover in the UK alone.

The disparity in readers' appetites should not be overstated: about 5 per cent of the sex books were sold in the UK, where they had been available for some time, and the group is working on an American Horticultural Society's gardening encyclopedia, to be published in the autumn.

The group said sales continued to be well spread internationally.

Turnover of the DK Adult division increased by 31 per cent to £33.5m. However, DK Children's turnover declined 10 per cent to £11.3m, reflecting a more competitive market and the phasing of main titles. The group has stopped selling books to discount warehouses because it plans to start selling books at full retail price

through its Family Library business in the US.

Earnings were 4.7p (4.3p). The interim dividend is 1.1p.

COMMENT

The Dorling Kindersley story was beginning to look too good to be true: after the intermeddles element of its October offer was six times oversubscribed, the share price had nearly doubled and the company was last month voted publisher of the year at the British Book Awards. Yesterday's correction in the share price came because of a drop in sales to the tougher children's market, a gap in the phasing of new reference books, and the decision to stop selling to discount warehouses in the US.

That makes sense in the longer term, since it will protect the group's high retail margins, but it will hit sales immediately. Analysts have reduced full-year forecasts to £9.5m, which puts the shares on a prospective multiple of nearly 20. They are likely to drift until the problems in the children's market begin to recede.

Cheap birds shave off £10m at B Matthews

By Hugh Carnegie

PRE-TAX profits at Bernard Matthews, the poultry processor, fell by 76 per cent in 1992 as low-priced imports from the US and Europe and falling demand in the UK market for whole turkeys hit the Norfolk-based company hard.

Profits in the 53 weeks to January 3 were £23.3m, compared with £13.2m in the previous 52 weeks.

Turnover was down from £148.1m to £144.2m. Mr Bernard Matthews, chairman, said profits from value-added processed turkey products had risen. These account for about 80 per cent of turnover.

Losses in the company's whole bird and commodity meals business had caused the overall reversal.

He said the added competitiveness as a result of sterling's devaluation had led to some improvement so far this

year. Demand was also up, but prices were still extremely low.

Meanwhile, Mr Matthews announced his company's second venture into continental Europe, through the £5.7m cash acquisition of a 90 per cent share in Sarvari Borsmipari, a Hungarian producer of turkey, chicken, goose and duck meat.

Sarvari, with net assets last June of £12.3m, serves the Hungarian, Swiss and Austrian markets.

Mr Matthews said his company saw development in central Europe as a strategic opportunity for expansion.

Bernard Matthews is also engaged in a big push to establish its processed products in France. A television advertising campaign began 10 days ago, Mr Matthews said it was too early to judge the impact.

Earnings per share were 1.64p (8.96p). The final dividend is 1.25p, making a halved total of 2.89p.

Steel Burrill pleases City with rise to £13m

By Richard Lapper

STEEL BURRILL Jones, the insurance and reinsurance broker, yesterday reported a 21 per cent increase in 1992 pre-tax profits to £13.3m and maintained a total dividend of 18.25p.

The news prompted a positive response from investors and the shares rose 10p to 361p, even though earnings declined to 18.11p, from a restated 30.66p for 1991. The final dividend is 9p.

In line with FRS 3 some £1.6m in net profits from the sale of the group's investments in two associates was included in pre-tax profits.

Operating profits, however, fell to £3.93m (£3.6m). Investment income increased by 14.6 per cent to £7.83m and associated contributed £911,000 (£115,000) to pre-tax profits.

Mr George Boden, chief executive, said he expected falling interest rates and tough trading conditions to constrain growth in 1993. "Growth of total group income is likely to be modest... and the group's results will inevitably be affected if short term interest rates continue at current low levels," he warned.

The group, however, will continue to control its expense base. In 1992 expenses increased by 17 per cent to £43.9m (£37.4m) - against sales in turnover of 15.27 per cent to £47.3m. But expenses were down at an underlying rate of 8 per cent, with the group's headcount falling from 890 to 880.

A poor performance by SBJ Regis Low, the offshore energy broker acquired for £35m in January 1992, was the biggest blot on the performance. SBJ Regis Low lost an important account insuring US construction liabilities - worth some £2m in commission income - in April, and was subsequently hit by reduced demand for off-shore insurance.

Despite a cut back in expenses pre-tax profits were only just over half of their pre-acquisition level of about £5m.

Mr Allan Nicholls, analyst with James Capel, said the market was relieved that Regis Low's had not produced worse results, and that this has contributed to yesterday's positive reaction.

"The figures are not out of line with what was expected but Regis Low has shown a capacity to disappoint."

Manganese Bronze in black

By Catherine Milton

MANGANESE Bronze Holdings, the black taxi cabs maker, returned to pre-tax profits of £277,000 in the six months to January 31, compared with losses of £495,000.

There is an interim dividend for the first time in two years, with a 0.5p payment on earnings per share of 2.19p (2.3p losses). Turnover rose to £27.8m (£23.5m).

Mr Hugh Lang, chairman, said overall taxi sales were

lower than before, but from November they tended to move forward and this trend has continued into the second half.

The vehicles division returned £15m (£10.1m) profits on turnover of £22.5m (£20.7m). Sales are lower in the first half of the year.

The group reported losses on its LTI Homer sub-assembly business and the continued failure of Fairway Nissan, the car dealership, to break even.

The Deans Powered Doors division returned to profits of

£2m (losses £433,000) with turnover up 46 per cent to £2.78m (£1.88m). The components side turned in £778,000 (£541,000) on turnover of £12.7m (£9.7m).

Both divisions benefited from the sterling devaluation. Last month's exports of about 50 per cent of its products and about 30 per cent of components go abroad.

Mr Jamie Borwick, chief executive, said: "The sterling devaluation may have got us in, but it's the quality level that will keep us there."

Wetherspoon advances by 47% to £1.49m

By Andrew Bolger

JD WETHERSPOON, the chain of Greater London pubs floated in October, increased pre-tax profits 47 per cent to £1.49m in the six months to January 31.

Sales rose 32 per cent to £13.2m, but earnings per share fell from 6.9p to 6.1p because of the greater number of shares in issue following the flotation. The first interim dividend is 1.9p.

The company had 44 pubs open at the time of the flotation, and has since increased its estate to 55.

Mr Tim Martin, chairman, said: "Since the flotation, the company has obtained five additional licences to convert

unlicensed premises into pubs and has also purchased a large existing pub from a brewer."

He said the new establishments had made a promising start and would make a significant contribution to earnings in the second half. The original 44 pubs continued to perform well, with food sales particularly strong.

Costs as a percentage of turnover were higher than the corresponding period last year because of the expense of opening new pubs and the higher proportion of leasehold pubs which were free of rate.

Some 14.6m shares, representing 51 per cent of the enlarged capital, were floated at 160p.

Barr & Wallace Arnold falls 14% to £3.7m

By Nathalie Lemoine

BARR & Wallace Arnold Trust reported pre-tax profits down 14 per cent, from £4.3m to £3.7m for 1992 as recession took its toll on the group's travel, motor and fuel distribution activities.

Profits were reduced to £1.38m (£1.99m) on the core motor distribution side, and fell to £3.11m (£3.7m) at the leisure and holidays division.

Fuel distribution was in the red for the first time.

Turnover of this Leeds-based company slipped to £227m (£229m).

The group's debt doubled to £20.2m and gearing rose to 74 per cent (32.4 per cent) at year

end after a change in accounting policy to conform with FRS4. The main effect was to bring the group's interest in four hotels and their associated debt, on to its balance sheet.

Prospects had improved for the motor distribution, said Mr Malcolm Barr, chairman, but widespread discounting of holiday prices would affect the group even more deeply this year. The results for 1993 were unlikely to improve much he said.

An unchanged final dividend of 7p is proposed for a maintained 10p total which is payable from reduced earnings per share of 19.1p against 20.7p.

Trafalgar rights 89% taken up

By Richard Ruddy

TRAFALGAR House, the construction, engineering and shipping group, yesterday announced that its shareholders had taken up 89 per cent of its 1-for-2 rights issue at 80p.

It is ordinary and A shares yesterday rose by 14p to 77p and 75p respectively. The rights raised £204.5m.

The rump of the issue, representing 38.5m shares, was placed with the Swiss Bank Corporation by Robert Flem-

ing, the merchant bank handling the issue.

SBC has a put option under which Hongkong Land, the Jardine Matheson controlled property company, may be required to purchase up to 67m shares, or about 75m shares adjusting for the rights, representing 7.1 per cent of Trafalgar's stock.

SBC is expected to sell the rump of rights to Hongkong Land for about 75p a share. This would take Hongkong Land's 20.7 per cent Trafalgar

shareholding above 34 per cent. If SBC exercises all of the put, which it would have to do by May 3, Hongkong Land's stake would rise to about 28 per cent, its stated aim is to take its Trafalgar holding to 29.9 per cent.

Hongkong Land has undertaken not to increase its stake above 29.9 per cent or make a full bid for Trafalgar until April 1 1994, unless a third party offer or tender is made or a third party acquires 10 per cent of the company's shares.

Platform shoes squeeze Lambert Howarth

By Peggy Hollinger

LAMBERT HOWARTH, the UK footwear supplier, yesterday announced a 3 per cent decline in pre-tax profits to £2.98m in 1992 on a 17 per cent jump in sales to £56.6m.

Mr Robert Garfit, managing director, said the group had suffered from "adverse conditions on the high street" and the effect of devaluation on its imported products. Margins had been under severe pressure, although Lambert had sought to reduce costs and improve efficiency.

The impact of changing fashion - particularly increased demand for platform shoes -

had also depressed margins. Platforms, the group said, required more complicated production processes and higher cost materials.

However, the group had made significant progress in its acquisition programme. Honeysuckle Footwear, a safety footwear group, and Technic, a manufacturer of mens shoes, were acquired and contributed some £1.5m to sales.

Lambert reported net cash balances at the end of the year of £5m, after making the acquisitions. The final dividend is 8.75p for a total of 13p (12.5p). Earnings were maintained at 39.2p (39.3p), helped by a lower tax charge.

DIVIDENDS ANNOUNCED

ANNOUNCED					
	Current payment	Date of payment	Conver- sion- pending dividend	Total for year	Total last year
Amec	1	July 1	6.25	3	10.25
Barr & Wallace	7	July 5	7	10	10
Barratt Dava	1	May 28	nil	-	2
Barry Wehmiller	Int	2.4	June 2	2.4	-
Blenheim	Int	3	June 25	2.4	6.7
BSE	Int	2.5	July 1	5.3	12.8
Dorling	Int	1.1	May 28	2.5	3.2
Geest	Int	4.4	July 1	4.3	8.1
Johnston Press	Int	4	May 10	3.5	6.25
Kingfisher	Int	9.5	June 4	9	13.7
Lambert Howarth	Int	8.75p	July 15	9.5	13
Lauro	Int	1	June 7	6.2	3
Lex Service	Int	6.8	May 4	8	10.6
Lowndes	Int	2	Apr 23	1.8	1
London Forest	Int	0.5p	Apr 2	5	8.4
Manganese Bronze	Int	1.25	May 7	2.5	2.26
Matthews (Bern)	Int	1.9	May 8	1.9	5.7
Ricardo	Int	1.75	May 8	1.9	5.7
Richardsons West	Int	1.75	May 28	1.7	3
SB	Int	2.53p	Apr 15	2.075	8.75p
Sheff Insulation	Int	3.8	May 14	3.8	5.4
Steel Burrill	Int	9	May 27	9	13.25
Sumit	Int	1.4p	June 30	1.25	1
Town Centre Seos	Int	1.1	Mar 31	3.3	8
TT	Int	3.8p	June 11	7.4	11.8
Woolpack (JD)	Int	8.3	May 20	1.8	10.5
Wood (Arthur)	Int	1.5	Apr 30	4.1	1.5

Retailer goes for volume with low prices on 500 products

Comet growth helps lift Kingfisher to £205m

By Peggy Hollinger

SIR GEOFFREY Mulcahy, chairman of Kingfisher, yesterday committed the retailing group - which owns B&Q, Woolworth, Superdrug and Comet - to a policy of everyday low prices as a way of enhancing earnings in the "lower growth 1990s".

As a first step, B&Q and Woolworth would be introducing permanently lower prices on a range of 500 products this week.

This was not the beginning of an Easter price war, Mr Mulcahy said. "It's a beginning and an end. This will just go on and on."

However, the strategy

implied that gross margins would have to fall. Analysts welcomed the latest development in Kingfisher's strategy. "Kingfisher is one of the few retailers which understands what discounting is really about," said Mr Paul Deacon of Goldman Sachs. "It is about driving volume... and has been proven with the US experience."

Mr Mulcahy was announcing profits for the year to January 30, which showed a 5 per cent increase to £205m under the accounting standard FR5.3.

This was after a £26.4m write-down (£1.9m gain) on the investment portfolio, and a £5.2m (£11.4m) charge on the disposal of group properties.

Under the old accounting standard, profits were depressed by a £23.5m net exceptional charge - arising from the property write-down - from £226m to £202.5m.

The sharpest improvement came from the Comet chain, which sells electrical goods. Operating profits rose from £9.1m to £17.7m. Like-for-like sales increased by 15 per cent.

Mr Mulcahy attributed Comet's growth to a refocusing away from the high street to out-of-town centres, better management and an improved product range.

B&Q suffered a 10 per cent decline in operating profits to £81.1m on increased sales. However, sales were 18.5 per cent ahead in the last two months of the financial year, and the improvement in trading performance had continued.

Woolworth improved by £6.4m at the operating level to £77.8m, fuelled by strong contributions from computer games, toys, and kitchen products.

Superdrug's profits were marginally higher at £34.8m (£34.6m). The division was examining new markets following the success of retailing discounted perfumes. Kingfisher was also beginning to look into introducing pharmaceutical services in Superdrug, with

two outlets already operating pharmacies.

Finally, Mr Mulcahy said the planned merger with Darty, the French electrical goods retailer, was due to be completed in June.

Darty shareholders would have 12 per cent of the enlarged group following the transaction and the £31m rights issue launched by Kingfisher to help fund the merger.

The final dividend is raised by 0.5p to 8.5p, for a total of 13.7p (13p).

Earnings per share fell from 35.2p to 31.3p. Under the new accounting standard, earnings increased from 38.5p to 30.1p.

See Lex

French public is mirrored in the stock market's perceptions of the group. Despite the recent slowdown in the household products market - which trimmed Darty's sales from FF8.75bn in 1991 to FF8.56bn in 1992 and pre-tax profits from FF1.085bn to FF1.07bn over the same period - it is still one of France's most profitable retailers.

Since its management buy-out in 1988, Darty has effectively operated as a private company with a very low profile in the investment community. Before the buy-out it traditionally traded at a generous premium with a p/e ratio of about 30, against an average of 15 for the rest of the retail sector.

"Darty was always a blue chip stock," said one Paris retail analyst. "I've lost contact with the management since the buy-out, but I'm still a loyal customer. Nothing has changed judging from the feel of the stores. The quality of the business seems to be as high as ever."

As a result, Darty is one of the handful of French retailers to dominate its sector. Its size helps to deter potential competitors particularly as it now operates on such a scale that it would be difficult for other companies to match its negotiating power with suppliers. It is the only large specialist electrical chain in France. The rest of the market is fragmented between hypermarkets, department stores, furniture chains such as Conforama and thousands of independents.

Darty's reputation among the



Sir Geoffrey Mulcahy, not the beginning of a price war

Geest hit by banana surplus

By Roland Fidd

PRICE DEFLATION affecting fresh produce resulted in a 22 per cent fall in Geest's pre-tax profits for the 53 weeks ended January 2.

Profits at the fresh produce and prepared foods group fell from £66.2m to £50.4m on lower sales of £825m (£826.3m). Trading profits from fresh produce fell from £19.3m to £15m, mainly because of the surplus of bananas.

Mr David Sudgen, chief executive, is expecting the price of bananas to rise after July when the new banana regime within the Single Market comes into effect.

He said: "For the first time, the whole of the European Community will be regulated when our significant investment in creating a pan-European business will pay off."

Last year the group increased capital expenditure from £18m to £23m, primarily in the development of its banana business. A further £35m of investment has been earmarked for 1993.

As a result of the capital expenditure, a cash surplus of £18m was turned into net debt of £7.2m.

Food preparation increased trading profit from £5.4m to £6.2m. Mr Sudgen said he hoped the division, which is to be expanded, would double

profits by 1995.

Meanwhile, in which Geest had a 50 per cent interest, was sold for £9.7m in September and last week the group's two US salad businesses were sold for \$6.7m (£3.8m).

The sales gave rise to a £17.2m extraordinary charge, of which £16.1m related to goodwill previously written off to reserves.

Earnings per share fell from 26.3p to 20.4p. However, the final dividend is increased to 4.4p making a total of 8.1p (7.9p).

See COMMENT

The new banana regime should have the effect of taking away business from the big dollar banana importers, such as Dole. In 1994, after the first full year of the new regulation, Geest may well achieve its aim of becoming the second or even the biggest importer of bananas into the European market. It is unlikely, however, to pull off its other stated aim of generating half its profits from food preparation. It is already facing stiff competition in this area, not least from the likes of Northern Foods. With forecast pre-tax profits of £23m, the shares - down 4p to 454p - are on a prospective multiple of 18.2 this year. But in 1994, which is arguably where investors should be looking, the shares are on a more realistic rating of 13 times earnings.

Enlarged Johnston Press hits £9.76m

By James Burton, Scottish Correspondent

JOHNSTON PRESS, the Edinburgh-based newspaper publishing group, increased 1992 pre-tax profits by 24 per cent to £9.76m, with just over half the increase coming from acquisitions.

The company, in which the Johnston family has a 45 per cent stake, has doubled its turnover since 1988 - partly because of a series of acquisitions of newspaper and publishing groups as it has expanded out of Scotland and the north of England.

Mr Fred Johnston, executive chairman, said that for the third year running there was no evidence of any improvement in the market place. "The company's improved performance was due to its own efforts in containing costs and in finding business opportunities in often bleak economic conditions."

The company benefited from "the strong and well-established" position of its free and paid-for newspapers, which operate between Falkirk and

Sussex. The bookbinding and library bookselling businesses performed well.

Turnover rose 16 per cent to £71.7m, of which all but 1.6 per cent was due to acquisitions. The figure benefited from one year's revenue of Greenhead Books of Ipswich, one quarter from TR Scott, the Essex-based newspaper group, and from Shoemart and Sherridge, a stationery wholesaler in Uckfield, Sussex.

Mr John Bell, managing director, said: "Our strict cost controls and good housekeeping stand us in good stead."

Mr Johnston hinted at possible further acquisitions, stating "as companies scarred by the recession begin to review their portfolios, there are going to be further business opportunities for undertakings which have survived the last three years in good order."

He added: "Despite the utterance of the politicians, evidence in the everyday world has yet to provide any significant signs that the recession is coming to an end."

A final dividend of 4p makes a 6.25p (5.9p) total.

PUBLIC WORKS LOAN BOARD RATES			
Effective March 23			
Term	Rate	Rate	Rate
Over 1 up to 2	6 1/2%	6 1/2%	6 1/2%
Over 2 up to 3	6 3/4%	6 3/4%	6 3/4%
Over 3 up to 4	6 3/4%	6 3/4%	6 3/4%
Over 4 up to 5	6 3/4%	6 3/4%	6 3/4%
Over 5 up to 6	6 3/4%	6 3/4%	6 3/4%
Over 6 up to 7	7%	7%	7%
Over 7 up to 8	7 1/4%	7 1/4%	7 1/4%
Over 8 up to 9	7 1/4%	7 1/4%	7 1/4%
Over 9 up to 10	7 1/4%	7 1/4%	7 1/4%
Over 10 up to 15	7 1/4%	7 1/4%	7 1/4%
Over 15 up to 25	7 1/4%	7 1/4%	7 1/4%
Over 25	7 1/4%	7 1/4%	7 1/4%

Non-qualifying loans at a rate 1 per cent higher and non-qualifying loans at a rate 2 per cent higher than the rates shown. 1992 business of 1992. 21. Payment by half-yearly instalments (based equal half-yearly payments to include principal and interest). 5. With half-yearly payments of interest only.

Confusion over the identity of Fisherking

Alice Rawsthorn looks at Darty, an institution on the French retail scene

PASCAL, a sales assistant at the Darty store in Les Halles shopping centre in Paris, beamed when asked about Darty's takeover by a British company. "It's good news for everyone," he said. "We'll represent them in France and they'll represent us in the UK. It makes sense for us to link up with Fisherking."

Pascal is not alone in his confusion over the identity of Darty's new owner.

Kingfisher may be one of the most powerful players in UK retailing but it was virtually unknown in France until last month's announcement that it had agreed terms to acquire Darty, the largest chain of electrical retailers in the country.

Darty itself is equally obscure in the UK. However, Kingfisher has bought a business which is not only a leading force in its sector, but an institution on the French retail scene.

The Darty stores, with their warehouse-style interiors and monochrome signs, are a familiar sight in city centres and out-of-town shopping complexes all over France.

Darty has 130 stores throughout the country which command 12 per cent of the national market for electrical products and nearly 30 per cent of sales in Paris and Lyon. It also has an almost unassailable reputation for quality and service among its customers.

To the French, the Darty name has the same cadences of good value and reasonable prices, as Marks and Spencer or John Lewis to the British. In other words it has built up a reputation for value-for-money and quality which would be the envy of most UK electrical chains, including Kingfisher's Comet. Darty has achieved this through a combination of highly disciplined management, a carefully co-ordinated public image and strong commitment to service.

Darty dates back to 1867 when the three Darty brothers - Bernard, Claude and Nathan - opened their

first store. The company expanded rapidly in the 1920s, 1970s and 1980s as the brothers opened new stores to satisfy demand for the new electronic products - washer-dryers, fridge-freezers, hi-fi systems, colour televisions and videos - which were flooding on to the market.

The Darty stores have a similar clean, functional look to those of M&S and John Lewis, with white walls and pale grey floors. The stores are filled with rows of products, all accompanied by neat information panels and discreet neon signs to identify different departments.

Cleaners prowled around the stores to dust and polish the products. The signs and signs and signs to identify different departments.

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Sheffield Insulations jumps 95%

CONTINUING actions on costs and trading margins enabled Sheffield Insulations Group to post a further significant fall in construction activity and hoist pre-tax profits by 95 per cent, from £1.5m to £2.95m, in 1992.

Turnover of the group, which supplies insulation products and services for energy conservation, was only slightly ahead at £133.5m (£132.1m), but price deflation masked a real increase in volume.

Further increases in market share were recorded in all businesses.

Earnings rose from 2.7p to 7.9p, while an unchanged final dividend of 3.8p makes a same-again total of 5.4p.

Bad debts, although 16 per cent below the 1991 level, remained high at over 1 per cent of sales. Gearing was slightly lower at 41 per cent (42 per cent).

Acorn Computer ahead to £1.31m

Acorn Computer Group, the USM-quoted electronics concern ultimately owned by Olivetti of Italy, announced a jump in pre-tax profits from £274,000 to £1.31m for 1992.

The company said that despite pricing and margin pressure across the industry, it managed to maintain strong gross margins which had been coupled with tight cost control.

Turnover improved from £40.9m to £48.2m, generating an operating profit of £1.8m (£1.05m). Acorn's share of loss in its related company, Advance RISC Machines Holdings, amounted to £16,000 (£102,000). Interest charges fell from £714,000 to £298,000.

Earnings came through at 2p (0.4p) per share.

Edinburgh Oil slides to £55,000

Edinburgh Oil & Gas, the USM-quoted exploration and production group, suffered a drop in net profits from £283,000 to £55,000 in the year to December 31.

Earnings fell to 0.33p (1.63p) per share. Turnover improved to £1.9m (£1.82m).

Sea Containers beats forecast

Sea Containers, the Bermuda-based cargo equipment and ferry group, beat its earnings per share forecast with a 4 cent rise to £2.35 (185p) for 1992.

For the final quarter the earnings figure of 28 cents compared with previous losses of 4 cents.

Total revenue for the year grew to £421m (£385m). Net

income of £39.8m (£32.7m) was aided by an increased contribution of £33.3m (£25.5m) from marine container leasing.

Ferry and port income fell £4m to £16.2m. Leisure industries incurred a loss, but this was offset by profits from foreign exchange contracts and left profit from other activities of £400,000 (£41.9m).

The company said the results were about £1m greater than predicted due to year-end accounting adjustments.

Sharp decline at Arthur Wood

Pre-tax profits of Arthur Wood & Son (Longport), the Stoke-on-Trent maker of earthenware, leathers and terracotta tapestry, fell from £261,431 to £75,862 for 1992.

The dividend for the year is cut from 4.1p to 1.5p. Earnings per share fell to 2.75p (2.28p).

Turnover totalled £3.34m (£3.7m). The directors said there was a high element of fixed costs in pottery manufacture and that any reduction in turnover had a "disproportionate effect on profits."

Downturn at Hay & Robertson

Hay & Robertson reported pre-tax profits reduced to £15,894 for the six months to November 30.

The decline from the comparable £21,494 came on turnover

ahead to £365,141 (£240,997). Earnings per share emerged at 0.021p (0.028p) per share.

The textile merchant said that proceedings had begun in respect of its claim for "substantial" losses following the theft in transit of its 1992 spring range.

Ricardo hit by provision

The impact of a £850,000 property provision cut profits at Ricardo Group, a provider of engineering and technological services, from £1.21m to £875,000 pre-tax for the half year to December 31.

Turnover from continuing operations improved to £31.7m (£28.6m) and operating profits by 24 per cent to £1.7m.

Pre-exceptional earnings from continuing operations amounted to 3.08p (2.48p) per share. The interim dividend is maintained at 1.5p.

Richardsons West improves to £1.9m

Richardsons Westgarth, the steel stockholder and processor, achieved a rise in 1992 pre-tax profits from £1.78m to £1.92m in an environment described as "generally hostile."

A final dividend of 1.75p makes a 3p (2.5p) total. The shares responded with an 8p rise to 77p.

Sales improved from £45.4m

to £53.5m and included a seven month contribution from Tipstaff Steel Stock Holders (Stoke).

Higher tax of £847,000 (£234,000) left earnings at 4.8p (5.9p).

Assuming a 33 per cent tax charge earnings per share amounted to 4.7p (4.5p).

Lincat sharply ahead at £549,000

Shares of Lincat Group, the USM-quoted catering equipment maker, improved 18p to 146p yesterday on news of a rise in profits from £106,000 to £549,000 pre-tax for the six months to end-December.

The interim dividend is lifted to 2p (1.8p) from earnings of 5.4p (1p). Interest charges were trimmed to £91,000 (£144,000) but tax took £135,000 more to £170,000.

Turnover expanded 26 per cent to £5.51m. Directors said the improvement in demand had started in 1992 and had continued.

Change of focus planned at Vizcaya

Vizcaya Holdings, the USM-quoted mining and exploration group, incurred a reduced pre-tax loss of £1.48m for the year to end-December.

The outcome compared with a deficit of £3.58m last time, and was struck after an exceptional write-down of £1.38m

against the group's concession in the non-operational Coto Chomoni mine. The previous year saw an exceptional debit of £1.41m.

Losses at the operating level amounted to £20,611 (£271,093). Losses per share worked through at 2.88p (3.7p).

Mr Desmond Bloom, chairman, said the group intended to reorganise and focus its activities on property investment.

Net assets rise at Thornton Pan-Euro

Net asset value of Thornton Pan-European Investment Trust rose from 29.46p to 29.29p over the 12 months to December 31. By February 28 the value had improved to 35.01p.

Net revenue for the year dipped to £181,532 (£220,982) for earnings of 0.81p (1.1p). An uncovered and maintained single distribution of 1p is recommended.

Frogmore expands property estate

Frogmore Estates is to acquire the issued capital and outstanding debt of Jaguar Properties for £15.8m in cash and shares. Jaguar's only asset is Harley House in London's Marylebone Road.

The mainly late Victorian residential property comprises six blocks containing 91 flats, 21 of which are vacant.

INVESTMENT TRUSTS - Cont.[illegible][illegible][illegible]

171	134	3.7	232.7	15.7	7
172	135	3.8	233.7	16.3	8
173	136	3.9	234.7	16.8	9
174	137	4.0	235.7	17.3	10
175	138	4.1	236.7	17.8	11
176	139	4.2	237.7	18.3	12
177	140	4.3	238.7	18.8	13
178	141	4.4	239.7	19.3	14
179	142	4.5	240.7	19.8	15
180	143	4.6	241.7	20.3	16
181	144	4.7	242.7	20.8	17
182	145	4.8	243.7	21.3	18
183	146	4.9	244.7	21.8	19
184	147	5.0	245.7	22.3	20
185	148	5.1	246.7	22.8	21
186	149	5.2	247.7	23.3	22
187	150	5.3	248.7	23.8	23
188	151	5.4	249.7	24.3	24
189	152	5.5	250.7	24.8	25
190	153	5.6	251.7	25.3	26
191	154	5.7	252.7	25.8	27
192	155	5.8	253.7	26.3	28
193	156	5.9	254.7	26.8	29
194	157	6.0	255.7	27.3	30
195	158	6.1	256.7	27.8	31
196	159	6.2	257.7	28.3	32
197	160	6.3	258.7	28.8	33
198	161	6.4	259.7	29.3	34
199	162	6.5	260.7	29.8	35
200	163	6.6	261.7	30.3	36
201	164	6.7	262.7	30.8	37
202	165	6.8	263.7	31.3	38
203	166	6.9	264.7	31.8	39
204	167	7.0	265.7	32.3	40
205	168	7.1	266.7	32.8	41
206	169	7.2	267.7	33.3	42
207	170	7.3	268.7	33.8	43
208	171	7.4	269.7	34.3	44
209	172	7.5	270.7	34.8	45
210	173	7.6	271.7	35.3	46
211	174	7.7	272.7	35.8	47
212	175	7.8	273.7	36.3	48
213	176	7.9	274.7	36.8	49
214	177	8.0	275.7	37.3	50
215	178	8.1	276.7	37.8	51
216	179	8.2	277.7	38.3	52
217	180	8.3	278.7	38.8	53
218	181	8.4	279.7	39.3	54
219	182	8.5	280.7	39.8	55
220	183	8.6	281.7	40.3	56
221	184	8.7	282.7	40.8	57
222	185	8.8	283.7	41.3	58
223	186	8.9	284.7	41.8	59
224	187	9.0	285.7	42.3	60
225	188	9.1	286.7	42.8	61
226	189	9.2	287.7	43.3	62
227	190	9.3	288.7	43.8	63
228	191	9.4	289.7	44.3	64
229	192	9.5	290.7	44.8	65
230	193	9.6	291.7	45.3	66
231	194	9.7	292.7	45.8	67
232	195	9.8	293.7	46.3	68
233	196	9.9	294.7	46.8	69
234	197	10.0	295.7	47.3	70
235	198	10.1	296.7	47.8	71
236	199	10.2	297.7	48.3	72
237	200	10.3	298.7	48.8	73
238	201	10.4	299.7	49.3	74
239	202	10.5	300.7	49.8	75
240	203	10.6	301.7	50.3	76
241	204	10.7	302.7	50.8	77
242	205	10.8	303.7	51.3	78
243	206	10.9	304.7	51.8	79
244	207	11.0	305.7	52.3	80
245	208	11.1	306.7	52.8	81
246	209	11.2	307.7	53.3	82
247	210	11.3	308.7	53.8	83
248	211	11.4	309.7	54.3	84
249	212	11.5	310.7	54.8	85
250	213	11.6	311.7	55.3	86
251	214	11.7	312.7	55.8	87
252	215	11.8	313.7	56.3	88
253	216	11.9	314.7	56.8	89
254	217	12.0	315.7	57.3	90
255	218	12.1	316.7	57.8	91
256	219	12.2	317.7	58.3	92
257	220	12.3	318.7	58.8	93
258	221	12.4	319.7	59.3	94
259	222	12.5	320.7	59.8	95
260	223	12.6	321.7	60.3	96
261	224	12.7	322.7	60.8	97
262	225	12.8	323.7	61.3	98
263	226	12.9	324.7	61.8	99
264	227	13.0	325.7	62.3	100

88	88	84	100.0	78.7
87	87	84	98.8	84.3
86	86	84	98.8	84.3
85	85	84	98.8	84.3
84	84	84	98.8	84.3
83	83	84	98.8	84.3
82	82	84	98.8	84.3
81	81	84	98.8	84.3
80	80	84	98.8	84.3
79	79	84	98.8	84.3
78	78	84	98.8	84.3
77	77	84	98.8	84.3
76	76	84	98.8	84.3
75	75	84	98.8	84.3
74	74	84	98.8	84.3
73	73	84	98.8	84.3
72	72	84	98.8	84.3
71	71	84	98.8	84.3
70	70	84	98.8	84.3
69	69	84	98.8	84.3
68	68	84	98.8	84.3
67	67	84	98.8	84.3
66	66	84	98.8	84.3
65	65	84	98.8	84.3
64	64	84	98.8	84.3
63	63	84	98.8	84.3
62	62	84	98.8	84.3
61	61	84	98.8	84.3
60	60	84	98.8	84.3
59	59	84	98.8	84.3
58	58	84	98.8	84.3
57	57	84	98.8	84.3
56	56	84	98.8	84.3
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54	54	84	98.8	84.3
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51	51	84	98.8	84.3
50	50	84	98.8	84.3
49	49	84	98.8	84.3
48	48	84	98.8	84.3
47	47	84	98.8	84.3
46	46	84	98.8	84.3
45	45	84	98.8	84.3
44	44	84	98.8	84.3
43	43	84	98.8	84.3
42	42	84	98.8	84.3
41	41	84	98.8	84.3
40	40	84	98.8	84.3
39	39	84	98.8	84.3
38	38	84	98.8	84.3
37	37	84	98.8	84.3
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20	20	84	98.8	84.3
19	19	84	98.8	84.3
18	18	84	98.8	84.3
17	17	84	98.8	84.3
16	16	84	98.8	84.3
15	15	84	98.8	84.3
14	14	84	98.8	84.3
13	13	84	98.8	84.3
12	12	84	98.8	84.3
11	11	84	98.8	84.3
10	10	84	98.8	84.3
9	9	84	98.8	84.3
8	8	84	98.8	84.3
7	7	84	98.8	84.3
6	6	84	98.8	84.3
5	5	84	98.8	84.3
4	4	84	98.8	84.3
3	3	84	98.8	84.3
2	2	84	98.8	84.3
1	1	84	98.8	84.3

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Belgian franc under pressure

THE BELGIAN franc stabilised inside the European exchange rate mechanism yesterday after Belgium's central bank raised its official interest rates in support of the currency, writes James Blyth.

The franc came under pressure inside the ERM after the government was unable to reach agreement on tax rises which would reduce its budget deficit, and offered its resignation to the King.

The offer of resignation, which was still being considered last night, raised concerns in the currency market because a reduction in Belgium's budget deficit is critical if the country is to meet the convergence criteria set out by the Maastricht treaty. At the start of trading, the Belgian franc moved to Bfr20.85 against the D-Mark from a previous Bfr20.83.

The Belgian central bank countered the move by raising its emergency lending rate to 12 per cent from 9.75 per cent, and its central rate by 50 basis points to 8.50 per cent. By the close of trading, the franc was some 9 basis points above the D-Mark in the grid, closing at Bfr20.82.

Some analysts suggested yesterday that the Belgian franc's problems could resurface, creating a serious problem for the ERM. Mr Mark Austin, a treasury economist at Midland Global Markets in London, said that Belgium might be able to bring its budget deficit within the 3 per cent of GDP, as set out by the Maastricht treaty. But its government debt, currently at 120 per cent of GDP would have to be halved by 1997, and this would prove extremely difficult.

However, Mr Mark Austin, a treasury economist at Midland Global Markets in London, said he was surprised at how easily the franc

shrugged off the pressure. "If the market was going to have another full-blown crisis, surely this was one of the issues that would have been grist to the mill," he said.

The D-Mark closed stronger against several currencies after the Bundesbank left the rate at which it offers short-term funds to commercial banks unchanged at 8.25 per cent.

The German currency's strongest performance came against the Italian lira, closing in London at Lira1,878.1 from a previous Lira1,874.1. A sterling closed at Lira1,874.1 from a previous Lira1,874.1.

The dollar remained below DM1.63 to the D-Mark for most of the day, despite strong durable goods figures for February. The US currency closed at DM1.6285 from a previous DM1.6315.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate	% Change	Unit	Rate	% Change	
Belgium	100 Bfr	1.936	+0.02	Italy	100 Lira	1.878	+0.04
France	100 Ffr	6.55	+0.01	Germany	100 DM	1.628	-0.02
Spain	100 Ptas	166.64	+0.01	UK	100 Sfr	1.936	+0.02
Portugal	100 Esc	200.48	+0.01	Switzerland	100 Sfr	1.936	+0.02
Spain	100 Ptas	166.64	+0.01	Italy	100 Lira	1.878	+0.04
Portugal	100 Esc	200.48	+0.01	UK	100 Sfr	1.936	+0.02

£ IN NEW YORK

Unit	Rate	% Change
100 £	1,628.5	+0.02
100 £	1,628.5	+0.02
100 £	1,628.5	+0.02

STERLING INDEX

Unit	Rate	% Change
100 £	1,628.5	+0.02
100 £	1,628.5	+0.02
100 £	1,628.5	+0.02

CURRENCY RATES

Currency	Rate	% Change
US Dollar	1.6285	+0.02
Japanese Yen	162.85	+0.02
Swiss Franc	1.936	+0.02
French Franc	6.55	+0.01
Italian Lira	1,878.1	+0.04
Spanish Ptas	166.64	+0.01
Portuguese Esc	200.48	+0.01
UK Sfr	1.936	+0.02

CURRENCY MOVEMENTS

Currency	Rate	% Change
US Dollar	1.6285	+0.02
Japanese Yen	162.85	+0.02
Swiss Franc	1.936	+0.02
French Franc	6.55	+0.01
Italian Lira	1,878.1	+0.04
Spanish Ptas	166.64	+0.01
Portuguese Esc	200.48	+0.01
UK Sfr	1.936	+0.02

OTHER CURRENCIES

Currency	Rate	% Change
US Dollar	1.6285	+0.02
Japanese Yen	162.85	+0.02
Swiss Franc	1.936	+0.02
French Franc	6.55	+0.01
Italian Lira	1,878.1	+0.04
Spanish Ptas	166.64	+0.01
Portuguese Esc	200.48	+0.01
UK Sfr	1.936	+0.02

FINANCIAL FUTURES AND OPTIONS

Contract	Price	% Change
US Dollar	1.6285	+0.02
Japanese Yen	162.85	+0.02
Swiss Franc	1.936	+0.02
French Franc	6.55	+0.01
Italian Lira	1,878.1	+0.04
Spanish Ptas	166.64	+0.01
Portuguese Esc	200.48	+0.01
UK Sfr	1.936	+0.02

Contract	Price	% Change
US Dollar	1.6285	+0.02
Japanese Yen	162.85	+0.02
Swiss Franc	1.936	+0.02
French Franc	6.55	+0.01
Italian Lira	1,878.1	+0.04
Spanish Ptas	166.64	+0.01
Portuguese Esc	200.48	+0.01
UK Sfr	1.936	+0.02

Contract	Price	% Change
US Dollar	1.6285	+0.02
Japanese Yen	162.85	+0.02
Swiss Franc	1.936	+0.02
French Franc	6.55	+0.01
Italian Lira	1,878.1	+0.04
Spanish Ptas	166.64	+0.01
Portuguese Esc	200.48	+0.01
UK Sfr	1.936	+0.02

Contract	Price	% Change
US Dollar	1.6285	+0.02
Japanese Yen	162.85	+0.02
Swiss Franc	1.936	+0.02
French Franc	6.55	+0.01
Italian Lira	1,878.1	+0.04
Spanish Ptas	166.64	+0.01
Portuguese Esc	200.48	+0.01
UK Sfr	1.936	+0.02

Contract	Price	% Change
US Dollar	1.6285	+0.02
Japanese Yen	162.85	+0.02
Swiss Franc	1.936	+0.02
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Spanish Ptas	166.64	+0.01
Portuguese Esc	200.48	+0.01
UK Sfr	1.936	+0.02

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Swiss Franc	1.936	+0.02
French Franc	6.55	+0.01
Italian Lira	1,878.1	+0.04
Spanish Ptas	166.64	+0.01
Portuguese Esc	200.48	+0.01
UK Sfr	1.936	+0.02

Contract	Price	% Change
US Dollar	1.6285	+0.02
Japanese Yen	162.85	+0.02
Swiss Franc	1.936	+0.02
French Franc	6.55	+0.01
Italian Lira	1,878.1	+0.04
Spanish Ptas	166.64	+0.01
Portuguese Esc	200.48	+0.01
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Spanish Ptas	166.64	+0.01
Portuguese Esc	200.48	+0.01
UK Sfr	1.936	+0.02

BASE LENDING RATES

Bank	Rate	% Change
US Dollar	1.6285	+0.02
Japanese Yen	162.85	+0.02
Swiss Franc	1.936	+0.02
French Franc	6.55	+0.01
Italian Lira	1,878.1	+0.04
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MONEY MARKET FUNDS

Fund	Assets	Net Assets	Yield
US Dollar	1.6285	+0.02	1.6285
Japanese Yen	162.85	+0.02	162.85
Swiss Franc	1.936	+0.02	1.936
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Portuguese Esc	200.48	+0.01	200.48
UK Sfr	1.936	+0.02	1.936

MONEY MARKETS

WORLD STOCK MARKETS

ASIA			EUROPE			MIDDLE EAST			AFRICA		
Stock	High	Low	Stock	High	Low	Stock	High	Low	Stock	High	Low
JAPAN											
Nikkei 225	12,710	12,650	DAX	2,150	2,140	Tel Aviv	1,200	1,190	Nairobi	1,200	1,190
TOPIX	1,200	1,190	FTSE 100	2,150	2,140	Amman	1,200	1,190	Accra	1,200	1,190
Osaka	1,200	1,190	FTSE 250	2,150	2,140	Baghdad	1,200	1,190	Harare	1,200	1,190
Yokohama	1,200	1,190	FTSE 350	2,150	2,140	Beirut	1,200	1,190	Luanda	1,200	1,190
San Francisco	1,200	1,190	FTSE 450	2,150	2,140	Damascus	1,200	1,190	Windhoek	1,200	1,190
London	1,200	1,190	FTSE 550	2,150	2,140	Jerusalem	1,200	1,190	Maputo	1,200	1,190
Paris	1,200	1,190	FTSE 650	2,150	2,140	Nicosia	1,200	1,190	Harare	1,200	1,190
Frankfurt	1,200	1,190	FTSE 750	2,150	2,140	Tripoli	1,200	1,190	Harare	1,200	1,190
Berlin	1,200	1,190	FTSE 850	2,150	2,140	Sana'a	1,200	1,190	Harare	1,200	1,190
Munich	1,200	1,190	FTSE 950	2,150	2,140	Aden	1,200	1,190	Harare	1,200	1,190
Stockholm	1,200	1,190	FTSE 1050	2,150	2,140	Muscat	1,200	1,190	Harare	1,200	1,190
Copenhagen	1,200	1,190	FTSE 1150	2,150	2,140	Manama	1,200	1,190	Harare	1,200	1,190
Helsinki	1,200	1,190	FTSE 1250	2,150	2,140	Riyadh	1,200	1,190	Harare	1,200	1,190
Tallinn	1,200	1,190	FTSE 1350	2,150	2,140	Doha	1,200	1,190	Harare	1,200	1,190
Riga	1,200	1,190	FTSE 1450	2,150	2,140	Abu Dhabi	1,200	1,190	Harare	1,200	1,190
Vilnius	1,200	1,190	FTSE 1550	2,150	2,140	Sharjah	1,200	1,190	Harare	1,200	1,190
Warsaw	1,200	1,190	FTSE 1650	2,150	2,140	Ras Al Khaima	1,200	1,190	Harare	1,200	1,190
Budapest	1,200	1,190	FTSE 1750	2,150	2,140	Ajman	1,200	1,190	Harare	1,200	1,190
Prague	1,200	1,190	FTSE 1850	2,150	2,140	Umm Al Qaywayn	1,200	1,190	Harare	1,200	1,190
Bratislava	1,200	1,190	FTSE 1950	2,150	2,140	Fujairah	1,200	1,190	Harare	1,200	1,190
Vienna	1,200	1,190	FTSE 2050	2,150	2,140	Raqqa	1,200	1,190	Harare	1,200	1,190
Zagreb	1,200	1,190	FTSE 2150	2,150	2,140	Hamat	1,200	1,190	Harare	1,200	1,190
Ljubljana	1,200	1,190	FTSE 2250	2,150	2,140	Be'er Sheva	1,200	1,190	Harare	1,200	1,190
Sofia	1,200	1,190	FTSE 2350	2,150	2,140	Netanya	1,200	1,190	Harare	1,200	1,190
Belgrade	1,200	1,190	FTSE 2450	2,150	2,140	Ramat Gan	1,200	1,190	Harare	1,200	1,190
Bucharest	1,200	1,190	FTSE 2550	2,150	2,140	Bnei Brak	1,200	1,190	Harare	1,200	1,190
Cluj Napoca	1,200	1,190	FTSE 2650	2,150	2,140	Ra'anana	1,200	1,190	Harare	1,200	1,190
Iasi	1,200	1,190	FTSE 2750	2,150	2,140	Herzliya	1,200	1,190	Harare	1,200	1,190
Timisoara	1,200	1,190	FTSE 2850	2,150	2,140	Petah Tikva	1,200	1,190	Harare	1,200	1,190
Brasov	1,200	1,190	FTSE 2950	2,150	2,140	Yotvata	1,200	1,190	Harare	1,200	1,190
Galati	1,200	1,190	FTSE 3050	2,150	2,140	Be'er Yaakov	1,200	1,190	Harare	1,200	1,190
Meirha	1,200	1,190	FTSE 3150	2,150	2,140	Ashdod	1,200	1,190	Harare	1,200	1,190
Oradea	1,200	1,190	FTSE 3250	2,150	2,140	Haifa	1,200	1,190	Harare	1,200	1,190
Timisoara	1,200	1,190	FTSE 3350	2,150	2,140	Tel Aviv	1,200	1,190	Harare	1,200	1,190
Brasov	1,200	1,190	FTSE 3450	2,150	2,140	Ramat Hasharon	1,200	1,190	Harare	1,200	1,190
Galati	1,200	1,190	FTSE 3550	2,150	2,140	Bnei Brak	1,200	1,190	Harare	1,200	1,190
Meirha	1,200	1,190	FTSE 3650	2,150	2,140	Ra'anana	1,200	1,190	Harare	1,200	1,190
Oradea	1,200	1,190	FTSE 3750	2,150	2,140	Herzliya	1,200	1,190	Harare	1,200	1,190
Timisoara	1,200	1,190	FTSE 3850	2,150	2,140	Petah Tikva	1,200	1,190	Harare	1,200	1,190
Brasov	1,200	1,190	FTSE 3950	2,150	2,140	Yotvata	1,200	1,190	Harare	1,200	1,190
Galati	1,200	1,190	FTSE 4050	2,150	2,140	Be'er Yaakov	1,200	1,190	Harare	1,200	1,190
Meirha	1,200	1,190	FTSE 4150	2,150	2,140	Ashdod	1,200	1,190	Harare	1,200	1,190
Oradea	1,200	1,190	FTSE 4250	2,150	2,140	Haifa	1,200	1,190	Harare	1,200	1,190
Timisoara	1,200	1,190	FTSE 4350	2,150	2,140	Tel Aviv	1,200	1,190	Harare	1,200	1,190
Brasov	1,200	1,190	FTSE 4450	2,150	2,140	Ramat Hasharon	1,200	1,190	Harare	1,200	1,190
Galati	1,200	1,190	FTSE 4550	2,150	2,140	Bnei Brak	1,200	1,190	Harare	1,200	1,190
Meirha	1,200	1,190	FTSE 4650	2,150	2,140	Ra'anana	1,200	1,190	Harare	1,200	1,190
Oradea	1,200	1,190	FTSE 4750	2,150	2,140	Herzliya	1,200	1,190	Harare	1,200	1,190
Timisoara	1,200	1,190	FTSE 4850	2,150	2,140	Petah Tikva	1,200	1,190	Harare	1,200	1,190
Brasov	1,200	1,190	FTSE 4950	2,150	2,140	Yotvata	1,200	1,190	Harare	1,200	1,190
Galati	1,200	1,190	FTSE 5050	2,150	2,140	Be'er Yaakov	1,200	1,190	Harare	1,200	1,190
Meirha	1,200	1,190	FTSE 5150	2,150	2,140	Ashdod	1,200	1,190	Harare	1,200	1,190
Oradea	1,200	1,190	FTSE 5250	2,150	2,140	Haifa	1,200	1,190	Harare	1,200	1,190
Timisoara	1,200	1,190	FTSE 5350	2,150	2,140	Tel Aviv	1,200	1,190	Harare	1,200	1,190
Brasov	1,200	1,190	FTSE 5450	2,150	2,140	Ramat Hasharon	1,200	1,190	Harare	1,200	1,190
Galati	1,200	1,190	FTSE 5550	2,150	2,140	Bnei Brak	1,200	1,190	Harare	1,200	1,190
Meirha	1,200	1,190	FTSE 5650	2,150	2,140	Ra'anana	1,200	1,190	Harare	1,200	1,190
Oradea	1,200	1,190	FTSE 5750	2,150	2,140	Herzliya	1,200	1,190	Harare	1,200	1,190
Timisoara	1,200	1,190	FTSE 5850	2,150	2,140	Petah Tikva	1,200	1,190	Harare	1,200	1,190
Brasov	1,200	1,190	FTSE 5950	2,150	2,140	Yotvata	1,200	1,190	Harare	1,200	1,190
Galati	1,200	1,190	FTSE 6050	2,150	2,140	Be'er Yaakov	1,200	1,190	Harare	1,200	1,190
Meirha	1,200	1,190	FTSE 6150	2,150	2,140	Ashdod	1,200	1,190	Harare	1,200	1,190
Oradea	1,200	1,190	FTSE 6250	2,150	2,140	Haifa	1,200	1,190	Harare	1,200	1,190
Timisoara	1,200	1,190	FTSE 6350	2,150	2,140	Tel Aviv	1,200	1,190	Harare	1,200	1,190
Brasov	1,200	1,190	FTSE 6450	2,150	2,140	Ramat Hasharon	1,200	1,190	Harare	1,200	1,190
Galati	1,200	1,190	FTSE 6550	2,150	2,140	Bnei Brak	1,200	1,190	Harare	1,200	1,190
Meirha	1,200	1,190	FTSE 6650	2,150	2,140	Ra'anana	1,200	1,190	Harare	1,200	1,190
Oradea	1,200	1,190	FTSE 6750	2,150	2,140	Herzliya	1,200	1,190	Harare	1,200	1,190
Timisoara	1,200	1,190	FTSE 6850	2,150	2,140	Petah Tikva	1,200	1,190	Harare	1,200	1,190
Brasov	1,200	1,190	FTSE 6950	2,150	2,140	Yotvata	1,200	1,190	Harare	1,200	1,190
Galati	1,200	1,190	FTSE 7050	2,150	2,140	Be'er Yaakov	1,200	1,190	Harare	1,200	1,190
Meirha	1,200	1,190	FTSE 7150	2,150	2,140	Ashdod	1,200	1,190	Harare	1,200	1,190
Oradea	1,200	1,190	FTSE 7250	2,150	2,140	Haifa	1,200	1,190	Harare	1,200	1,190
Timisoara	1,200	1,190	FTSE 7350	2,150	2,140	Tel Aviv	1,200	1,190	Harare	1,200	1,190
Brasov	1,200	1,190	FTSE 7450	2,150	2,140	Ramat Hasharon	1,200	1,190	Harare	1,200	1,190
Galati	1,200	1,190	FTSE 7550	2,150	2,140	Bnei Brak	1,200	1,190	Harare	1,200	1,190
Meirha	1,200	1,190	FTSE 7650	2,150	2,140	Ra'anana	1,200	1,190	Harare	1,200	1,190
Oradea	1,200	1,190	FTSE 7750	2,150	2,140	Herzliya	1,200	1,190	Harare	1,200	1,190
Timisoara	1,200	1,190	FTSE 7850	2,150	2,140	Petah Tikva	1,200	1,190	Harare	1,200	1,190
Brasov	1,200	1,190	FTSE 7950	2,150	2,140	Yotvata	1,200	1,190	Harare	1,200	1,190
Galati	1,200	1,190	FTSE 8050	2,150	2,140	Be'er Yaakov	1,200	1,190	Harare	1,200	1,190
Meirha	1,200	1,190	FTSE 8150	2,150	2,140	Ashdod	1,200	1,190	Harare	1,200	1,190
Oradea	1,200	1,190	FTSE 8250	2,150	2,140	Haifa	1,200	1,190	Harare	1,200	1,190
Timisoara	1,200	1,190	FTSE 8350	2,150	2,140	Tel Aviv	1,200	1,190	Harare	1,200	1,190
Brasov	1,200	1,190	FTSE 8450	2,150	2,140	Ramat Hasharon	1,200	1,190	Harare	1,200	1,190
Galati	1,200	1,190	FTSE 8550	2,150	2,140	Bnei Brak	1,200	1,190	Harare	1,200	1,190
Meirha	1,200	1,190	FTSE 8650	2,150	2,140	Ra'anana	1,200	1,190	Harare	1,200	1,190
Oradea	1,200	1,190	FTSE 8750	2,150	2,140	Herzliya	1,200	1,190	Harare	1,200	1,190
Timisoara	1,200	1,190	FTSE 8850	2,150	2,140	Petah Tikva	1,200	1,190	Harare	1,200	1,190
Brasov	1,200	1,190	FTSE 8950	2,150	2,140	Yotvata	1,200	1,190	Harare	1,200	1,190
Galati	1,200	1,190	FTSE 9050	2,150	2,140	Be'er Yaakov	1,200	1,190	Harare	1,200	1,190
Meirha	1,200	1,190	FTSE 9150	2,150	2,140	Ashdod	1,200	1,190	Harare	1,200	1,190
Oradea	1,200	1,190	FTSE 9250	2,150	2,140	Haifa	1,200	1,190	Harare	1,200	1,190
Timisoara	1,200	1,190	FTSE 9350	2,150	2,140	Tel Aviv	1,200	1,190	Harare	1,200	1,190
Brasov	1,200	1,190	FTSE 9450	2,150	2,140	Ramat Hasharon	1,200	1,190	Harare	1,200	1,190
Galati	1,200	1,190	FTSE 9550	2,150	2,140	Bnei Brak	1,200	1,190	Harare	1,200	1,190
Meirha	1,200	1,190	FTSE 9650	2,150	2,140	Ra'anana	1,200	1,190	Harare	1,200	1,190
Oradea	1,200	1,190	FTSE 9750	2,150	2,140	Herzliya	1,200	1,190	Harare	1,200	1,190
Timisoara	1,200	1,190	FTSE 9850	2,150	2,140	Petah Tikva	1,200	1,190	Harare	1,200	1,190
Brasov	1,200	1,190	FTSE 9950	2,150	2,140	Yotvata	1,200	1,190	Harare	1,200	1,190
Galati	1,200	1,									

4 pm close March 24

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NYSE COMPOSITE PRICES

Table with multiple columns listing stock prices and indices for the NYSE Composite. Includes sub-sections for 'Continued from previous page' and various market data.

NASDAQ NATIONAL MARKET

Table with multiple columns listing stock prices and indices for the NASDAQ National Market. Includes sub-sections for various market data.

AMEX COMPOSITE PRICES

Table with multiple columns listing stock prices and indices for the AMEX Composite. Includes sub-sections for various market data.

Table with multiple columns listing stock prices and indices for the NASDAQ National Market (continued). Includes sub-sections for various market data.

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Table with multiple columns listing stock prices and indices for the NASDAQ National Market (continued). Includes sub-sections for various market data.

AMERICA

Dow lower as Merck issues profits warning

Wall Street

US EQUITIES gave up slim early gains to move lower yesterday morning following a renewed sell-off in drug stocks on news that Merck, the pharmaceutical group, planned to cut jobs because of a slowdown in earnings growth, writes Karen Zagor in New York.

At 12.30 pm, the Dow Jones Industrial Average was 11.62 lower at 3,450.24. The Dow managed to rise more than 10 points in morning trading before program-selling kicked in, sending the index lower.

The more broadly based Standard & Poor's 500 was down 0.77 at 447.58, while the Nasdaq composite eased 0.41 at 674.68.

Trading volume on the NYSE was more than 145m shares by 12.30 pm, and declines had a slight edge on rises, by 866 to 828.

On Tuesday, the Dow slipped 3.62 to 3,461.86.

Merck plunged 33% to a 52-week low of \$33 in very heavy trading.

The company's announcement that its profits growth would start slowing in the first quarter of this year was released after the market had closed on Tuesday.

The news prompted analysts to reduce earnings forecasts for a number of pharmaceutical companies, including Pfizer and Schering-Plough, which lost 3% to \$57 and 3% to \$56 respectively.

Other actively-traded drug stocks included Glaxo Holdings, down 5% at \$174, Bristol-Myers Squibb, off 1% at \$71, and Abbott Laboratories, 1% lower at \$33.

Some cyclical and oil stocks held their own in morning trading, helping to limit the impact of the drug sector selling. International Paper held steady at \$65 and Exxon at \$55.

In the car sector, Ford Motor eased 3% to \$52, General

Motors fell 4% to \$39 and Chrysler added 4% to \$38.

Ford reported improved mid-March sales for US cars and trucks, but General Motors saw US car sales slide in the same period, although its truck sales showed strong gains.

Carnival Cruise Lines plummeted 4% to \$33 after posting disappointing first quarter net income. Although earnings in the three months rose to 36 cents a share from 33 cents, analysts had expected a stronger performance.

Pessimism about the outlook for healthcare companies leached into the Nasdaq market, where shares in biotech companies lost ground including Amgen, down 1% to \$34 and Chiron, off 2% at \$47.

Technology issues, however, moved higher. Microsoft was up 2% at \$85, Intel gained 4% at \$122, Dell Computer firmed 1% to \$35 and Apple Computer added 3% to \$53.

Canada

TORONTO was helped higher at midsession by solid gains in oil and gas shares and continued interest in forest stocks. Bank shares were also traded heavily as investors assessed the Royal Bank of Canada's purchase of most of Royal Trustco's assets.

The TSE 300 index rose 1.97 to 3,600.70 in volume of 30.2m shares valued at C\$360m. Advances led declines by 242 to 214 with 303 issues unchanged.

Active trading was led by the Royal Bank of Canada, which was flat at C\$25 in volume of 3.6m shares.

Volume totalled 350m shares against 376m as declines led advances by 870 to 440, with 153 unchanged. The Topix index of all first section stocks fell by 2.48 to 1,395.43.

Some investors blamed political uncertainty in Russia for their reluctance to participate in the markets. Traders said

the dollar remaining below the Y116 level against the yen also gave investors an excuse to remain inactive.

Some analysts also noted that the Nikkei's surge in the past two weeks, accompanied by a sharp rise in trading volume, may not have reflected genuine investor interest.

One analyst said that the government had pumped in extra public funds to counter the expiry of margin positions created last September, arbitrage selling and liquidation of holdings by corporate investors.

A rise in selling and buying levels had activated trading, he said, but "things would return to normal".

Nippon Telegraph and Telephone was heavily traded, rising Y9,000 to Y810,000. Telecommunications related issues also rebounded on NTT's rise: Fujikura, the cable maker,

gained Y33 to Y678 and Furukawa Electric firmed Y19 to Y507.

Steels and shipbuilders were lower on profit-taking. Nippon Steel, the day's most active issue, fell Y3 to Y327, and Mitsubishi Heavy Industries lost Y8 to Y550.

High-technology issues were lower on the higher yen with Hitachi falling Y8 to Y782 and Sony losing Y50 to Y4,100. However, Fujitsu gained Y20 to Y605 on buying by US pension funds.

Construction companies lost ground on continuing investigations by prosecutors of their links with Mr Shin Kanemaru, the former kingmaker of the ruling Liberal Democratic Party, currently under detention for alleged tax evasion.

Taisei fell Y16 to Y639 and Obayashi Road lost Y30 to Y1,670.

Speculation that game manufacturers would post firm earnings for the current year boosted Nintendo, the video game maker, which rose Y20 to Y9,510. Sega Enterprises was also strong, advancing Y100 to Y10,800.

In Osaka, the OSE average closed down 21.89 to 19,440.50 in volume of 102.1m shares.

Roundup

HONG KONG and Manila apart, the region's equity markets were not inspired yesterday. Kuala Lumpur, Jakarta and Bombay were closed for public holidays.

HONG KONG saw indications of a delay in legislative consideration of the governor's democratic reform proposals and bullish expectations on the property front as the Hang Seng index rose 94.24, or 1.5 per cent to 6,212.91.

Turnover rose from HK\$2.24bn to HK\$2.94bn. Property stocks rose on hopes that the government will relax its ceiling on banks' mortgage lending which, developers say, would encourage more buying. The properties index jumped 207.07, or 2.2 per cent to 9,559.56.

The good corporate results season continued with a 48 per cent jump in interim profits at New World Development, which rose 40 cents to HK\$19.10. Sun Hung Kai Properties rose HK\$1.25 to HK\$32.00 ahead of tomorrow's earnings figures.

MANILA staged a rebound in light volume, the composite index rising 17.05 to 1,480.30 aided by Philippine Long Distance Telephone gains in New York. On the domestic market, PLDT closed 30 pesos higher at 900 pesos.

AUSTRALIA firmed, but price moves generally were

EUROPE

Individual equity moves dominate senior bourses

INDIVIDUAL equities made most of the headlines on senior bourses, writes Our Markets Staff.

FRANKFURT focused on car-makers. A rise of more than 4 per cent in Volkswagen brought the sector up with it, Daimler putting on DM11 to DM905.50 during the official session as the DAX index rose 10.01 to 1,659.45; but in the afternoon, Daimler gained impetus of its own as plans for a new listing indicated an extraordinary profit of over DM4bn for 1992, applying Anglo-Saxon accounting treatment to its hidden reserves. Turnover rose from DM6bn to DM7bn.

Mr Christopher Will, European automotive analyst at Lehman Brothers, added his weight to the arguments for VW with a buy recommendation. He acknowledged that the industry's situation was precarious, with German vehicle production in February showing a 30 per cent decline compared with a year earlier.

However, he said, people were beginning to believe that the combination of Mr Ferd-

inand Piech, VW's new chief executive, with Mr Ignacio Lopez, just recruited as production and component purchasing head from General Motors (he is apparently importing a team with him from Detroit) offered a prospect of high returns from a company with huge scope for cost cutting.

German sources, late in the day, were inclined to think that the market could be over-estimating the influence of Mr Lopez and that equities in general could suffer if rumours of an inflation rate of 5 per cent in the state of Hesse turned out to be accurate.

PARIS saw strong trade in Eurotunnel, with some 3m shares traded early in the session, mainly by foreign institutions, while LVMH also made gains on reports of a positive brokers report. The shares made respective gains of 50 centimes to FF339.50 and FF102 to FF154.7.

The CAC-40 index picked up 2.39 to 1,854.57 in turnover of FF72.8bn.

Carrefour Metabox, up FF2 to FF723.5, was again heavily traded. A report by the Paris

ASIA PACIFIC

Tokyo declines on late selling by investment trusts

Tokyo

THE NIKKEI average gave up early gains to close marginally lower as late afternoon selling by investment trusts and corporations depressed share prices, writes Emiko Terazono in Tokyo.

The index average closed down 40.93 at 18,450.89 after a high of 18,643.62 and a low of 18,423.40. It rose in the morning on arbitrage buying, but fell on position adjustment before the March-end book-closing.

Volume totalled 350m shares against 376m as declines led advances by 870 to 440, with 153 unchanged. The Topix index of all first section stocks fell by 2.48 to 1,395.43.

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AUSTRALIA firmed, but price moves generally were

small as investors remained wary about developments in Russia. The All-Ordinaries index rose 3.6 to 1,663.1 in turnover down from A\$276m to A\$255m. Tuesday's cut in interest rates lifted bank shares, with Commonwealth up 12 cents to A\$8.04, National Australia 4 cents to A\$8.51 and ANZ 2 cents better at A\$3.46.

NEW ZEALAND echoed Australia's Russia worries, and the NZSE-40 index finished down 4.62 at 1,533.25, turnover thinning from NZ\$24.3m to NZ\$18.9m.

TAIWAN heard that construction of a sixth, T2800m naphtha cracker project is expected to start in early April. Plastics rose and Formosa Plastics, the biggest investor in what is Taiwan's largest investment project, put on T\$1.60 to T\$42.50. The weighted index closed 7.45 higher at 4,654.68.

Bundesbank rates cut lights the fuse

Michael Morgan looks at European equity turnover in February

THE Bundesbank's move to cut interest rates early in February, and the confidence this engendered for further cuts in Germany and elsewhere, provided the key for a sharp rise in trading volume in most of the European bourses during the month.

"Rising volumes reflect strong markets," says Mr James Cornish of NatWest Securities, noting that the FT-A Europe index recorded a 5.1 per cent rise in January, as investors pinned their hopes on lower rates.

Germany was by far the largest beneficiary of the Bundesbank's rate cut on February 4 and the welcome given to the move by investors was reflected in a 46 per cent rise in bourse turnover for the month, compared with January. This also represented a 50.8 per cent increase on the average for November to January and the highest level since January, 1992.

"After a period of fairly level volumes from the beginning of

the year, they began to pick up in the second week of February and have remained at these high levels until the last few days as concern has grown over developments in Russia," says Mr Cornish.

Across Europe, month-on-month turnover rose by 15.3 per cent in February after the 12.5 per cent increase registered during January.

Paris, initially churlish on the grounds that the Bundesbank had done no more than it had to, turned its attention to financial stocks and the market remained in a state of high expectation throughout February that there could be more good news on rates.

This took Paris turnover up 20.0 per cent to the highest level since last September.

The Netherlands began the month in a gloomy mood with DAF filing for protection from creditors and doubts over Fokker's sale to Deutsche Aerospace. However, the overall mood was not soured and turnover rose by 15.1 per cent to the highest level since August

1990, 29.9 per cent up on the average of the previous three months.

Italy demonstrated its independence with a rates cut of its own, only hours before the German reduction. But it also suffered traumas with the ever widening political corruption scandals. But strong demand for blue chips spurred an 11.5 per cent rise in trading on the month.

Spain edged just 1.8 per cent higher; the market's under-

performance reflected disappointment at upward pressures on interest rates. The lack of international interest in the market was demonstrated by a 7.7 per cent decline in volume on SEAQ International, the London screen-based system for international stocks.

Switzerland fell 21.1 per cent to more normal levels after January's steep rise, but February was still 12.3 per cent higher than the average of the previous three months.

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EUROPEAN EQUITIES TURNOVER					
Monthly total in local currencies (bn)					
Bourse	Nov 1992	Dec 1992	Jan 1993	Feb 1993	US \$bn
Belgium	43.83	43.36	62.75	57.35	1.69
France	92.36	120.72	103.66	127.98	22.94
Germany	82.20	82.50	91.67	133.88	31.59
Italy	24,248.80	14,210.72	25,143.2	28,045.20	17.65
Netherlands	11.70	12.50	14.60	16.80	9.10
Spain	519.31	790.00	653.20	864.91	5.68
Switzerland	11.60	13.10	22.30	17.60	11.53
UK	39.57	39.05	42.86	43.58	62.05

Volumes represent purchases and sales. Italian data adjusted to include off-market trading. Source: NatWest Securities.

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FT-ACTUARIES WORLD INDICES													
Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries													
TUESDAY MARCH 28 1993							MONDAY MARCH 22 1993						
NATIONAL AND REGIONAL MARKETS							DOLLAR INDEX						
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DAX Index	Local Currency Index	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DAX Index	Local Currency Index	Year ago (approx)
Australia (58)	137.68	-1.6	137.59	100.09	116.78	129.53	138.96	+0.1	138.96	138.47	102.33	119.17	138.96
Austria (18)	141.21	-1.1	141.13	103.28	119.78	115.94	142.84	+0.2	142.84	142.33	104.45	121.61	142.84
Belgium (42)	148.58	+0.1	148.60	109.40	126.88	124.14	147.06	+0.1	147.06	147.06	107.88	125.85	147.06
Canada (113)	125.27	+0.1	125.20	91.81	108.25	113.21	124.70	+0.1	124.70	124.70	91.48	106.54	124.70
Denmark (53)	195.95	+0.8	195.83	144.05	167.06	167.95	195.51	+0.2	195.51	195.09	143.15	166.70	195.51
Finland (23)	70.12	-1.2	70.08	83.48	82.02	80.54	73.98	-1.6	73.98	73.71	84.08	82.98	73.98
France (96)	156.81	+0.9	156.51	114.59	132.83	135.40	155.22	+0.5	155.22	154.66	113.47	132.13	155.22
Germany (82)	111.14	-0.4	111.07	81.29	94.27	94.27	111.00	-0.3	111.00	111.00	81.00	92.01	111.00
Hong Kong (55)	245.15	+1.1	245.00	178.29	207.95	243.32	242.58	+1.0	242.58	241.70	177.33	206.52	242.58
Ireland (16)	148.14	-1.0	148.05	108.35	125.66	140.00	149.89	-1.4	149.89	149.10	110.40	125.01	149.89
Italy (73)	57.31	-1.5	57.28	41.81	46.81	47.88	56.94	+1.6	56.94	56.23	41.25	46.04	56.94
Japan (472)	121.35	-1.3	121.28	68.75	102.99	89.78	122.91	-1.2	122.91	122.46	68.85	106.85	122.91
Malaysia (59)	277.33	+0.3	277.10	277.48	287.06	287.06	278.02	+0.2	278.02	278.12	239.38	278.43	278.02
Netherlands (24)	159.24	-0.9	159.30	112.22	130.36	122.77	154.82	-0.9	154.82	154.87	131.17	127.78	154.82
Netherlands (24)	165.52	+0.1	165.41	121.06	140.40	138.62	161.57	+0.1	161.57	164.87	120.82	140.70	161.57
New Zealand (13)	45.71	-1.7	45.69	33.44	38.78	45.59	48.00	-0.6	48.00	46.53	33.39	39.59	48.00
Norway (22)	151.12	-0.5	151.03	110.53	128.19	142.30	151.96	-0.8	151.96	151.40	111.09	129.37	151.96
Singapore (38)	246.58	+0.1	246.45	159.98	186.40	185.39	246.58	+0.1	246.58	246.58	186.25	206.54	246.58
Spain (64)	171.31	-0.1	171.20	125.28	145.30	171.93	171.48	-0.2	171.48	170.88	125.86	145.98	171.48
Sweden (38)	126.55	+0.8	126.47	82.25	107.34	111.89	125.59	+0.4	125.59	125.13	81.81	106.82	125.59
Switzerland (39)	155.05	-0.3	155.01	114.13	132.37	178.03	156.01	-0.1	156.01	156.01	114.47	133.30	156.01
Switzerland (39)	115.08	-0.4	115.05	84.17	97.83	87.84	115.07	-0.2	115.07	115.07	83.77	97.86	115.07
United Kingdom (226)	171.05	-0.4	171.05	126.78	175.75	171.75	172.51	-0.9	172.51	171.84	126.16	146.50	171.84
USA (222)	183.01	+0.0	182.90	133.85	155.24	183.01	183.02	+0.0	183.02	182.11	133.84	155.87	183.02
Australia (775)	140.31	-0.1	140.32	102.62	119.23	131.54	140.30	-0.0	140.34	139.73	102.52	118.89	140.34
Belgium (42)	148.52	-0.2	148.43	107.16	124.28	146.20	146.21	-0.2	146.21	146.28	107.33	124.99	146.28
Pacific Basin (715)	125.80	-1.1	125.72	92.00	106.70	94.72	126.17	-1.0	126.27	126.13	93.02	106.32	126.17
Europe-Pacific (1490)	131.62	-0.6	131.54	96.25	111.63	106.82	131.66	-0.8	131.66	131.96	96.61	112.74	131.66
North America (635)	179.42	-0.0	179.31	131.24	152.21	181.58	179.42	-0.0	179.42	179.32	131.02	152.62	179.42
Europe-Europe (649)	120.81	-0.2	120.81	82.81	102.52	108.16	120.81	-0.1	120.81	120.81	82.81	102.52	120.81
Pacific-Europe (1490)	163.56	-0.2	163.49	124.03	143.64	155.20	163.49	-0.4	163.49	163.29	124.24	142.67	163.49
World-Europe (US) (1681)	132.67	-0.6	132.59	97.04	112.54	111.88	132.67	-0.5	132.67	132.98	97.58	113.63	132.67
World-Europe (UK) (1977)	146.41	-0.4	146.33	107.09	124.20	128.82	146.41	-0.2	146.41	146.41	107.43	125.11	146.41
World-Europe (US, Ex. At) (2143)	148.60	-0.4	148.51	108.59	126.05	133.20	148.60	-0.4	148.60	148.60	126.05	133.20	148.60
World-Europe (UK) (17131)	164.58	-0.0	164.48	120.58	130.52	159.40	164.58	+0.0	164.58	164.58	120.58	130.52	164.58
The World Index (2203)	148.64	-0.4	148.55	108.72	126.09	133.56	148.64	-0.3	148.64	148.64	109.07	127.02	148.64
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Latest prices were unavailable for this edition.													